

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the 2011 Series B Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the 2011 Series A Bonds and interest on the 2011 Series B Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein. Interest on the 2011 Series A Bonds is subject to all applicable federal taxation.

\$9,870,000
Community Improvement Commission
of the City of Alameda
2011 Tax Allocation Housing Bonds,
Subordinate Series A (Taxable)
(Merged WECIP/BWIP Project Area)

\$1,165,000
Community Improvement Commission
of the City of Alameda
2011 Tax Allocation Housing Bonds,
Subordinate Series B (Tax-Exempt)
(Merged WECIP/BWIP Project Area)

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

Proceeds from the sale by the Community Improvement Commission of the City of Alameda (the "Agency") of its 2011 Tax Allocation Housing Bonds, Subordinate Series A (Taxable) (Merged WECIP/BWIP Project Area) (the "2011 Series A Bonds") and its 2011 Tax Allocation Housing Bonds, Subordinate Series B (Tax-Exempt) (Merged WECIP/BWIP Project Area) (the "2011 Series B Bonds" and, together with the 2011 Series A Bonds, the "Bonds"), will be used to: (a) finance certain housing activities of the Agency, (b) refinance the obligations of the Agency under a 1992 Loan Agreement, (c) make a deposit to a reserve account for the Bonds, and (d) pay the costs of issuing the Bonds. See "FINANCING PLAN" herein.

The Bonds will be issued under and pursuant to an Indenture of Trust, dated as of May 1, 2011 (the "Indenture"), by and between the Agency and Union Bank, N.A., as trustee (the "Trustee"). The Bonds initially will be sold by the Agency to the Alameda Public Financing Authority (the "Authority") for concurrent resale to the Underwriter. The Bonds are special obligations of the Agency and are payable solely from and secured by a pledge of the Housing Tax Increment Revenues (as defined herein), and by a pledge of amounts in certain funds and accounts established under the Indenture, as further described herein. The pledge of the Housing Tax Increment Revenues and other funds under the Indenture is subordinate to the pledge thereof with respect to certain outstanding obligations of the Agency, and will be on a parity with the pledge thereof with respect to any future Parity Debt (as such term is defined in the Indenture). See "SECURITY FOR THE BONDS—Pledge Under the Indenture" herein.

Interest on the Bonds will be payable semi-annually on each March 1 and September 1, commencing September 1, 2011. The Bonds will be issued in fully registered form without coupons and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers of such beneficial interests will not receive physical certificates representing their interests in the Bonds. Payment of principal of, interest and premium, if any, on the Bonds will be made directly to DTC or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as defined herein) is the responsibility of the DTC Participants, as more fully described herein. See "THE BONDS—Book-Entry System" herein.

The Bonds are subject to optional and mandatory sinking account redemption prior to maturity. See "THE BONDS—Optional Redemption" and "THE BONDS—Sinking Account Redemption" herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE HOUSING TAX INCREMENT REVENUES, AS DESCRIBED HEREIN, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS MAINTAINED UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE AUTHORITY, THE CITY OF ALAMEDA, CALIFORNIA (THE "CITY"), OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), AND NONE OF THE AUTHORITY, THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY) IS LIABLE THEREFOR. THE BONDS ARE NOT PAYABLE FROM, AND ARE NOT SECURED BY, ANY FUNDS OF THE AGENCY, OTHER THAN THE HOUSING TAX INCREMENT REVENUES AND OTHER MONEYS EXPRESSLY PLEDGED PURSUANT TO THE INDENTURE.

MATURITY SCHEDULE (see inside cover page)

This cover page is not intended to be a summary of the Bonds or the security therefore. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters related to this offering will be passed upon for the Agency by the City Attorney of the City of Alameda, acting as General Counsel to the Agency, and by Quint & Thimmig LLP, San Francisco, California, in its capacity as Disclosure Counsel to the Agency for the Bonds. Certain legal matters will be passed upon for the Underwriter by McFarlin & Anderson LLP, Lake Forest, California, counsel to the Underwriter. It is expected that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about May 19, 2011.

Piper Jaffray & Co.

\$9,870,000
COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA
2011 TAX ALLOCATION HOUSING BONDS, SUBORDINATE SERIES A (TAXABLE)
(MERGED WECIP/BWIP PROJECT AREA)

\$125,000 3.00% Serial Bonds due September 1, 2011 Yield 3.25% CUSIP: 010781 DK5+
 \$2,160,000 8.25% Term Bonds due September 1, 2031 Yield 8.35% CUSIP: 010781 DL3+
 \$7,585,000 8.50% Term Bonds due September 1, 2041 Yield 8.60% CUSIP: 010781 DM1+

\$1,165,000
COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA
2011 TAX ALLOCATION HOUSING BONDS, SUBORDINATE SERIES B (TAX-EXEMPT)
(MERGED WECIP/BWIP PROJECT AREA)

\$280,000 Serial Bonds
 CUSIP Prefix: 010781†

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2011	\$170,000	2.00%	2.00%	DN9
2020	40,000	5.25	5.59	DX7
2021	70,000	5.50	5.74	DY5

\$885,000 5.75% Term Bonds due September 1, 2026 Yield 5.96% CUSIP: 010781 DZ2†

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Rob Bonta, Vice Chair
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Lena Tam, Member

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency. 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 Bonds by a 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 as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such document, statute and constitutional provision.

The information set forth herein has been obtained from sources which are believed to be reliable but such information is not guaranteed as to accuracy or completeness. The information and expressions of opinions 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.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

While the City of Alameda maintains an internet website for various purposes (which includes information related to the Agency), none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Agency or the Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT.

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LOCATION MAP – CITY OF ALAMEDA



OFFICIAL STATEMENT

\$9,870,000
Community Improvement Commission
of the City of Alameda
2011 Tax Allocation Housing Bonds,
Subordinate Series A (Taxable)
(Merged WECIP/BWIP Project Area)

\$1,165,000
Community Improvement Commission
of the City of Alameda
2011 Tax Allocation Housing Bonds,
Subordinate Series B (Tax-Exempt)
(Merged WECIP/BWIP Project Area)

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices hereto, is to provide information regarding the issuance by the Community Improvement Commission of the City of Alameda (the "Agency") of its 2011 Tax Allocation Housing Bonds, Subordinate Series A (Taxable) (Merged WECIP/BWIP Project Area) (the "2011 Series A Bonds") and its 2011 Tax Allocation Housing Bonds, Subordinate Series B (Tax-Exempt) (Merged WECIP/BWIP Project Area) (the "2011 Series B Bonds" and, together with the 2011 Series A Bonds, the "Bonds"). Definitions of certain capitalized terms used in this Official Statement and not otherwise defined in the text hereof are set forth in APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.

General

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement by those interested in purchasing the Bonds. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement contains brief descriptions of the Bonds, the Indenture, the Agency and the Agency's Merged WECIP/BWIP Project Area (the "Redevelopment Project"). Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to specific documents are qualified in their entirety by reference to such documents and references to the Bonds are qualified in their entirety by reference to the forms of the Bonds included in the Indenture (as defined below). Copies of the Indenture and other documents described in this Official Statement may be obtained from the Agency as described under "INTRODUCTION—Other Information."

Purpose of Issuance

Proceeds from the sale of the Bonds will be used to (a) finance certain housing activities of the Agency, (b) refinance the obligations of the Agency under a 1992 Loan Agreement, (c) make a deposit to the Reserve Account for the Bonds in an amount equal to the initial Reserve Requirement, and (d) pay the costs of issuing the Bonds. The Bonds initially will be sold by the Agency to the Alameda Public Financing Authority (the "Authority"), for concurrent resale to Piper Jaffray & Co., the underwriter for the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "FINANCING PLAN."

The City, the Agency and the Authority

The City of Alameda, California (the "City") is a chartered city located in Alameda County, California, just west of the City of Oakland, California and approximately 12 miles east of San Francisco, California. The City consists of an island in the eastern portion of San Francisco Bay approximately six miles long by one and one-half miles wide and part of a peninsula adjacent to the Oakland Airport. The island portion is connected to the East Bay Area by three bridges and a vehicular underwater double barrel tube. The total City area is 22.7 square miles, about 12.4 square miles of which is water area. For general information regarding the City, see APPENDIX B—GENERAL INFORMATION REGARDING THE CITY OF ALAMEDA. The City has no liability or obligation whatsoever with respect to the payment of the Bonds.

The Agency was activated in 1982 by Ordinance No. 2103 of the City Council of the City. The five members of the City Council serve as the governing body of the Agency and exercise all rights, powers, duties and privileges of the Agency. See "THE AGENCY" herein. The Bonds are limited obligations of the Agency, payable solely from the Housing Tax Increment Revenues and amounts in the funds and accounts pledged to the payment of the Bonds under the Indenture. See "SECURITY FOR THE BONDS—Limited Obligations."

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated March 17, 1992 (the "JPA Agreement"), between the City and the Agency. The JPA Agreement was entered into pursuant to the provisions of Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. The members of the governing board of the Authority consist of the members of the City Council of the City. The Bonds are not obligations of the Authority, and no assets or property of the Authority are pledged as security for the payment of the Bonds.

The Merged Redevelopment Project

The City Council of the City adopted a redevelopment plan (the "WECIP Plan") for the Agency's West End Community Improvement redevelopment project area (the "WECIP Project Area") pursuant to Ordinance No. 2141, adopted on June 28, 1983. The City Council of the City adopted a redevelopment plan (the "BWIP Plan") for the Agency's Business and Waterfront Improvement redevelopment project area (the "Original BWIP Project Area") pursuant to Ordinance No. 2559, adopted on June 18, 1991.

On April 1, 2003, the City Council of the City adopted Ordinance Nos. 2896 and 2897, amending and merging the WECIP Plan and the BWIP Plan in order to add approximately 123 acres of territory (known as the "Exchange Area") to the Original BWIP Project Area (the Original BWIP Project Area, together with the Exchange Area, is referred to in this Official Statement as the "BWIP Project Area"). Those Ordinances also fiscally merged the BWIP Plan and the WECIP Plan and reestablished or extended, as applicable, eminent domain authority in the WECIP Project Area and the BWIP Project Area. The fiscally merged WECIP Project Area and the BWIP Project Area is referred to in this Official Statement as the "Merged Project Area." The fiscal merger of the BWIP Plan and the WECIP Plan allows the Agency to finance and refinance redevelopment activities anywhere within the Merged Project Area by means of a pledge of tax increment revenues from the Merged Project Area. See "THE MERGED PROJECT AREA—Fiscal Merger of Project Areas."

The total secured and unsecured assessed valuation of taxable property in the Merged Project Area in Fiscal Year 2010-11, based upon information obtained by the Agency's Fiscal Consultant for the Redevelopment Project from the Alameda County Assessor's Office, is \$1,733,072,955, and is \$1,426,439,961 greater than the \$306,632,994 valuation for the base

year applicable to the Merged Project Area. See "THE MERGED PROJECT AREA—Assessed Valuation." Assessed valuations in the Merged Project Area are subject to numerous risks which could result in decreases from the assessed valuations reported for Fiscal Year 2010-11. See "BONDOWNERS' RISKS." Also see "THE MERGED PROJECT AREA" and APPENDIX D—FISCAL CONSULTANT'S REPORT.

As discussed under the heading "THE MERGED PROJECT AREA—Redevelopment Plan Limitations," the last date for the Agency to receive tax increment revenues (including Housing Tax Increment Revenues) from property in the WECIP Project Area is July 5, 2036. As a consequence of the foregoing, and despite the financial merger of the WECIP Project Area and the BWIP Project Area, the only source of Housing Tax Increment Revenues that are pledged to the repayment of the Bonds after July 5, 2036 will be Housing Tax Increment Revenues arising from property in the BWIP Project Area.

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a designated redevelopment project area. The redevelopment agency establishes the taxable valuation of a project area based on the last equalized County assessment roll before the adoption of the redevelopment plan, or base roll (the "Base Year Valuation"). Subsequently, the taxing agencies receive the taxes produced by the levy of the then-current tax rate upon the Base Year Valuation (except for any period during which the taxable valuation drops below the Base Year Valuation).

Taxes collected upon any increase in taxable valuation over the Base Year Valuation 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. Twenty percent of taxes allocated to a redevelopment agency are set aside in a separate fund to develop and maintain low and moderate income housing in the city in which the redevelopment project area is located, and in certain instances redevelopment agencies are required to make payments from taxes allocated to them to other taxing agencies. The Housing Tax Increment Revenues pledged to secure the repayment of the Bonds consist of such housing funds. Redevelopment agencies themselves have no taxing power. See "SECURITY FOR THE BONDS—Housing Tax Increment Revenues."

The Bonds

The Bonds are being issued pursuant to the Redevelopment Law, Resolution No. 11-179 adopted by the Agency on March 2, 2011, a Resolution adopted by the Agency on April 6, 2011, and an Indenture of Trust, dated as of May 1, 2011 (the "Indenture"), by and between the Agency and Union Bank, N.A., as trustee (the "Trustee"). See "THE BONDS" and APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.

The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. Interest on the Bonds will be payable on March 1 and September 1, commencing September 1, 2011. Principal of and interest on the Bonds will be payable by the Trustee to The Depository Trust Company ("DTC") which will be responsible for remitting such principal and interest to the DTC participants which will in turn be responsible for remitting such principal and interest to the beneficial owners of the Bonds. No physical distribution of the Bonds will be made to the public. See "THE BONDS—Book-Entry System."

Source of Payment for the Bonds

The Bonds are special obligations of the Agency and are payable from and secured by a pledge of Housing Tax Increment Revenues and amounts in certain funds and accounts held by the Trustee under the Indenture. The term "Housing Tax Increment Revenues" is defined in the Indenture as all taxes annually allocated and paid to the Agency with respect to the Merged 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, including 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, which are required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.2 or 33334.6 of the Redevelopment Law, but excluding (a) any such taxes arising from the Alameda Landing Property (see discussion in the next paragraph); (b) amounts required to be deposited to the District Housing Fund under and as such term is defined in the Agreement Between the Community Improvement Commission of the City of Alameda and the Alameda Unified School District Pursuant to Health and Safety Code Section 33401, dated November 12, 1991 (the "AUSD Agreement"), but only to the extent that the Agency's obligations thereunder have not been subordinated to the payment of debt service on the Bonds, as permitted by Section 10 of that agreement (see "SECURITY FOR THE BONDS—Housing Tax Increment Revenues - Housing Set-Aside Amounts"); and (c) any Business Inventory Tax Subvention. See "SECURITY FOR THE BONDS—Housing Tax Increment Revenues."

The Alameda Landing Property consists of approximately 77 acres of land owned by the Agency and to be conveyed to Palmtree Acquisition Corporation or a related entity pursuant to a Disposition and Development Agreement (Alameda Landing Mixed Use Project) entered into as of December 5, 2006, as amended, which property currently does not provide any tax increment revenues to the Agency. See "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area."

The Agency has taken all actions necessary to subordinate its obligations with respect to Housing Tax Increment Revenues under the AUSD Agreement to the payment of debt service on the Bonds. See "SECURITY FOR THE BONDS—Housing Tax Increment Revenues - Housing Set-Aside Amounts."

The Agency has incurred certain indebtedness (referred to in the Indenture and herein as the "Senior Debt") that is payable from and secured by a pledge of the portion of the Housing Tax Increment Revenues attributable to the BWIP Project Area. See "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area." The pledge of the Housing Tax Increment Revenues under the Indenture is expressly subordinate to the pledge thereof with respect to the Senior Debt and certain future debt that may be issued by the Agency to refund the Senior Debt (referred to in the Indenture and herein as "Senior Refunding Debt"), so long as the debt service payable from Housing Tax Increment Revenues due on such refunding debt in any Bond Year in which the refunding debt is outstanding is not greater than the debt service payable from Housing Tax Increment Revenues due in such Bond Year on the portion of the Senior Debt refunded with the proceeds of such refunding debt. However, tax increment revenues from the Alameda Landing Property required to be deposited to the Agency's Low and Moderate Income Housing Fund are pledged to the payment of, and may be used to pay, scheduled debt service on the Senior Bonds. See "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area - Senior Debt."

Following the issuance of the Bonds, the Housing Tax Increment Revenues will not be subject to any senior or parity pledge or lien with respect to any indebtedness of the Agency other than a pledge of a portion of the Housing Tax Increment Revenues to the Senior Debt,

and the Bonds and any Parity Debt hereafter issued in accordance with the Indenture. See "SECURITY FOR THE BONDS—Issuance of Parity Debt." The Bonds are not payable from, and are not secured by, any funds of the Agency other than the Housing Tax Increment Revenues and amounts in certain funds and accounts held by the Trustee and pledged therefore under the Indenture. See "SECURITY FOR THE BONDS."

Reserve Account

A reserve account (the "Reserve Account") has been established and is held under the Indenture in order to secure the payment of principal of and interest on the Bonds and any additional Parity Debt that may be issued by the Agency in the future (the Bonds and any such additional Parity Debt are sometimes collectively referred to in this Official Statement as the "Outstanding Agency Bonds"). On the Closing Date, a portion of the proceeds of the Bonds will be deposited to the Reserve Account in an amount equal to the initial Reserve Requirement, which is defined in the Indenture, as of the date of any calculation, as the least of (a) maximum annual debt service on the Bonds and any future Parity Debt, (b) one hundred twenty-five percent (125%) of average annual debt service on the Bonds and any future Parity Debt, or (c) ten percent (10%) of the initial principal amount of the Bonds and any future Parity Debt. Amounts in the Reserve Account are to be used and withdrawn (i) for the purpose of paying debt service on the Bonds and any future Parity Debt to the extent amounts in the Interest Account, the Principal Account or the Sinking Account are not sufficient for that purpose, or (ii) to retire all of the Outstanding Agency Bonds.

The Indenture permits the Agency at any time to substitute a Qualified Reserve Account Credit Instrument for funds on deposit in the Reserve Account. Any such substitute Qualified Reserve Account Credit Instrument must be provided by a commercial bank or insurance company which, at the time the instrument is delivered to the Trustee, has a long term credit rating or claims paying ability, respectively, within one of the three highest rating categories of Moody's or S&P. See "SECURITY FOR THE BONDS—Reserve Account," "SECURITY FOR THE BONDS—Issuance of Parity Debt" and APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE for additional information regarding the Reserve Account.

Additional Parity Debt

The Indenture provides that in addition to the Bonds, the Agency may provide for the issuance of Parity Debt secured by a lien on Housing Tax Increment Revenues on a parity with the lien under the Indenture securing the repayment of the Bonds to finance or refinance housing activities of the Agency in such principal amount as may be determined by the Agency. The Agency may deliver Parity Debt subject to certain specific conditions set forth in the Indenture. See "SECURITY FOR THE BONDS—Issuance of Parity Debt."

Fiscal Consultant's Report

Keyser Marston Associates, Inc., San Francisco, California (the "Fiscal Consultant") has been retained to prepare a report (the "Fiscal Consultant's Report") in connection with the issuance of the Bonds. A full copy of the Fiscal Consultant's Report is contained in APPENDIX D—FISCAL CONSULTANT'S REPORT.

Risk Factors

Certain events could affect the ability of the Agency to pay debt service on the Bonds when due, including, but not limited to, Governor Brown's State budget proposal and draft implementing legislation to eliminate redevelopment agencies. Should legislation be

introduced or enacted prior to the date of issuance of the Bonds that could adversely impact the Agency's receipt of Housing Tax Increment Revenues or the Agency's ability to issue the Bonds or impose additional limitations or burdens on the Agency or the City by reason of the issuance of the Bonds, the Agency and the Underwriter have the right under the purchase agreement for the Bonds to not proceed in issuing or purchasing the Bonds. See "BONDOWNER'S RISKS—Draft Legislation to Eliminate Redevelopment Agencies and Restrict Activities." There are other risk factors associated with the purchase of the Bonds that prospective purchasers of the Bonds should consider, some of which have been summarized in the section herein entitled "BONDOWNERS' RISKS."

Continuing Disclosure

The Agency will covenant in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system and to provide notice of the occurrence of certain events. See "CONTINUING DISCLOSURE" and APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Professionals Involved in the Offering

The proceedings of the Agency in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of Alameda, acting as General Counsel to the Agency, and by Quint & Thimmig LLP, San Francisco, California, acting as Disclosure Counsel to the Agency for the Bonds. Certain legal matters will be passed upon for the Underwriter by McFarlin & Anderson LLC, Lake Forest, California, acting as counsel to the Underwriter.

Keyser Marston Associates, Inc., San Francisco, California has been retained by the Agency to prepare the Fiscal Consultant's Report for the Bonds. CSG Advisors Incorporated, San Francisco, California is serving as Financial Advisor to the Agency for the Bonds. Union Bank, N.A., will serve as the Trustee for the Bonds under the Indenture and as the initial Dissemination Agent under the Continuing Disclosure Certificate. The Bank of New York Mellon Trust Company, N.A., will serve as Escrow Bank under the Escrow Agreement related to the discharge of the 1992 Loan Agreement.

Payment of the fees and expenses of Quint & Thimmig LLP, CSG Advisors Incorporated, and McFarlin & Anderson LLP is contingent upon the sale and delivery of the Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 2000. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The Agency is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Other Matters

There follows in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Agency, the Merged Project Area, and certain other information relevant to the issuance of the Bonds. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

Other Information

Copies of the Indenture are available for inspection during business hours at the corporate trust office of the Trustee, and copies of the Indenture and other documents described herein may be obtained upon written request to the Executive Director of the Agency and payment of costs of duplication and mailing.

FINANCING PLAN

On March 2, 2011, the Agency entered into an Owner Participation Agreement (2428 Central Avenue) (the "OPA") with the Housing Authority of the City of Alameda (the "Housing Authority") and Resources for Community Development (the "Developer"). The Agency has agreed in the OPA to issue bonds in a principal amount as necessary to provide an \$8,000,000 grant to the Housing Authority to assist in the acquisition of a property (the "Housing Facility") located at 2428 Central Avenue in the City (generally known as the Islander Motel), and to provide a \$1,000,000 loan to the Developer to assist in the rehabilitation of the Housing Facility so that, upon completion of the rehabilitation work, the Housing Facility will have 61 units of residential rental housing and one manager's unit. Proceeds of the 2011 Series A Bonds deposited to the Housing Projects Fund will be used to satisfy the above-described Agency obligations under the OPA or to assist with other housing activities of the Agency. Amounts in the Housing Projects Fund are not pledged to the payment of debt service on the Bonds.

In April of 1992, the Agency and the Authority entered into a Loan Agreement (the "1992 Loan Agreement"), pursuant to which the Authority loaned the proceeds of its 1992 Revenue Bonds, Series A (West End Community Improvement Project-Housing Increment Loan) (the "1992 Bonds") to the Agency in the initial amount of \$2,740,000 (of which \$985,000 is outstanding). The Agency used the proceeds of the loan under the 1992 Loan Agreement to finance and refinance certain housing activities of the Agency.

On the date of issuance of the Bonds, the net proceeds of the 2011 Series B Bonds will be transferred to The Bank of New York Mellon Trust Company, N.A., acting as escrow bank (the "Escrow Bank") under an Escrow Deposit and Trust Agreement, dated as of May 1, 2011 (the "Escrow Agreement"), between the Agency and the Escrow Bank, for deposit by the Escrow Bank in an Escrow Fund. The amount deposited to the Escrow Fund, together with certain amounts held with respect to the 1992 Bonds, will be fully sufficient to discharge the

1992 Loan Agreement on the date of issuance of the Bonds and thereby discharge any pledge of Housing Tax Increment Revenues thereunder. Amounts in the Escrow Fund will be held uninvested by the Escrow Bank and will be used to fully prepay the loan under the 1992 Loan Agreement approximately sixty days after the date of issuance of the Bonds. Amounts in the Escrow Fund are not pledged to, and will not be available for, the payment of debt service on the Bonds.

In addition to the foregoing, the Agency expects to use a portion of the proceeds of the Bonds to make a deposit to the Reserve Account held by the Trustee under the Indenture in the amount of the initial Reserve Requirement (see "SECURITY FOR THE BONDS—Reserve Account"), and to make a deposit to the Costs of Issuance Fund to be held by the Trustee under the Indenture in an amount sufficient to pay the costs of issuance of the Bonds.

Any improvements financed or refinanced with proceeds of the Bonds will not in any way be pledged as security for the Bonds. In any event, the obligation of the Agency to use the Housing Tax Increment Revenues to repay the Bonds is not in any way dependent upon the completion of the acquisition and rehabilitation of the Housing Facility or the completion of any other housing facilities or improvements that may be financed with proceeds of the 2011 Series A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth a summary of the estimated sources and uses of funds associated with the issuance and sale of the Bonds.

<u>Sources of Funds</u>	2011 Series A Bonds	2011 Series B Bonds
Principal Amount of Bonds	\$9,870,000.00	\$1,165,000.00
Less: Underwriter's Discount	(61,519.71)	(8,067.63)
Less: Original Issue Discount	(104,481.75)	(20,844.20)
Total Sources	<u>\$9,703,998.54</u>	<u>\$1,136,088.17</u>
<u>Uses of Funds</u>		
Deposit to Housing Projects Fund ⁽¹⁾	\$8,600,000.00	
Deposit to Escrow Fund ⁽²⁾		\$1,004,907.94
Deposit to Reserve Account ⁽³⁾	987,000.00	116,500.00
Deposit to Costs of Issuance Fund ⁽³⁾	116,998.54	14,680.23
Total Uses	<u>\$9,703,998.54</u>	<u>\$1,136,088.17</u>

(1) Expected to be used to finance housing activities of the Agency. See "FINANCING PLAN."
 (2) To be used to discharge the 1992 Loan Agreement on the date of issuance of the Bonds. See "FINANCING PLAN."
 (3) An amount equal to the initial Reserve Requirement. See "SECURITY FOR THE BONDS—Reserve Account."
 (4) To be used to pay the fees and expenses of the Trustee, the Fiscal Consultant, the Financial Advisor, Bond Counsel and Disclosure Counsel, printing expenses, rating agency fees and other costs incurred in connection with the issuance of the Bonds.

DEBT SERVICE SCHEDULE

The following table sets forth the scheduled annual debt service for the Bonds, assuming no redemption of the Bonds other than mandatory sinking payment redemptions.

Bond Year Ending September 1	2011 Series A Bonds		2011 Series B Bonds		Total Annual Debt Service
	Principal	Interest	Principal	Interest	
2011	\$ 125,000.00	\$ 234,224.58	\$ 170,000.00	\$ 17,067.29	\$ 546,291.87
2012		822,925.00		56,837.50	879,762.50
2013		822,925.00		56,837.50	879,762.50
2014		822,925.00		56,837.50	879,762.50
2015		822,925.00		56,837.50	879,762.50
2016		822,925.00		56,837.50	879,762.50
2017		822,925.00		56,837.50	879,762.50
2018		822,925.00		56,837.50	879,762.50
2019		822,925.00		56,837.50	879,762.50
2020		822,925.00	40,000.00	56,837.50	919,762.50
2021		822,925.00	70,000.00	54,737.50	947,662.50
2022		822,925.00	100,000.00*	50,887.50	973,812.50
2023		822,925.00	135,000.00*	45,137.50	1,003,062.50
2024		822,925.00	175,000.00*	37,375.00	1,035,300.00
2025		822,925.00	215,000.00*	27,312.50	1,065,237.50
2026		822,925.00	260,000.00*	14,950.00	1,097,875.00
2027	305,000.00*	822,925.00			1,127,925.00
2028	365,000.00*	797,762.50			1,162,762.50
2029	425,000.00*	767,650.00			1,192,650.00
2030	495,000.00*	732,587.50			1,227,587.50
2031	570,000.00*	691,750.00			1,261,750.00
2032	655,000.00*	644,725.00			1,299,725.00
2033	940,000.00*	589,050.00			1,529,050.00
2034	1,055,000.00*	509,150.00			1,564,150.00
2035	1,185,000.00*	419,475.00			1,604,475.00
2036	1,320,000.00*	318,750.00			1,638,750.00
2037	370,000.00*	206,550.00			576,550.00
2038	420,000.00*	175,100.00			595,100.00
2039	480,000.00*	139,400.00			619,400.00
2040	545,000.00*	98,600.00			643,600.00
2041	615,000.00*	52,275.00			667,275.00
Total	\$9,870,000.00	\$19,543,849.58	\$1,165,000.00	\$759,004.79	\$31,337,854.37

* Indicated a mandatory sinking fund payment.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery, and will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued as fully registered Bonds, without coupons, in the denomination of \$5,000 each or any integral multiple thereof. The Trustee will maintain at its office books for the registration, exchange and transfer of the Bonds.

Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing September 1, 2011 (each, an "Interest Payment Date"), by check of the Trustee mailed on each Interest Payment Date to the registered owners whose names appear on the registration books of the Trustee as of the close of business on the fifteenth calendar day of the month preceding the applicable Interest Payment Date (each a "Record Date") or, upon the written request filed with the Trustee prior to any Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such owner in such written request. Principal of and premium, if any, on the Bonds is payable by check of the Trustee at maturity or redemption upon presentation and surrender thereof at the corporate trust office of the Trustee described in the Indenture (the "Trust Office").

Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the person in whose name the ownership of such Bond is registered on the Registration Books of the Trustee at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than ten days prior to such special record date.

The Bonds will bear interest from the Interest Payment Date next preceding the date of authentication by the Trustee, unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date; or (ii) a Bond is authenticated on or prior to August 15, 2011, in which event it will bear interest from the Closing Date; or (iii) if, as of the time of authentication of any Bond, interest with respect thereto is in default, interest thereon will be payable from the date to which interest has been paid in full.

The Bonds may be transferred or exchanged upon presentation and surrender at the Office of the Trustee in Los Angeles, California, provided that the Trustee will not be required to register the transfer or exchange of any Bonds during the period established by the Trustee for the selection of the Bonds for redemption, or as to Bonds which have matured or been selected for redemption. The Trustee may require the payment by the registered owners of the Bonds requiring such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee will, under certain circumstances, replace Bonds which have been mutilated, lost, destroyed or stolen. The Trustee may require posting of an adequate surety bond, cash, or other collateral and payment of a reasonable fee to cover the expenses which may be incurred by the Trustee for each new Bond issued to replace a Bond which has been mutilated, lost, destroyed or stolen.

Book-Entry System

The Bonds will be issued as one fully registered bond without coupons for each maturity of each series of the Bonds and, when issued, 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 of the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to the beneficial owners of the Bonds as described herein. **So long as Cede & Co., as the nominee of DTC, is the registered owner of all of the Bonds, references herein to the holders or owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.** See APPENDIX G—BOOK ENTRY ONLY SYSTEM.

Optional Redemption

The 2011 Series A Bonds maturing on September 1, 2031 and on September 1, 2041, are subject to redemption in whole or in part on any date on or after March 1, 2021, at the request of the Agency, among maturities as determined by the Agency, and in any case by lot within a maturity, from any available source of funds, at a redemption price equal to one hundred percent (100%) of the principal amount of the 2011 Series A Bonds to be redeemed together with accrued interest thereon to the redemption date, without premium.

The 2011 Series B Bonds maturing on September 1, 2021 and on September 1, 2026, are subject to redemption in whole or in part on any date on or after March 1, 2021, at the request of the Agency, among maturities as determined by the Agency, and in any case by lot within a maturity, from any available source of funds, at a redemption price equal to one hundred percent (100%) of the principal amount of the 2011 Series B Bonds to be redeemed together with accrued interest thereon to the redemption date, without premium.

In the case of any optional redemption of the Bonds, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds on the anticipated redemption date, and that the optional redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the Bonds have not been deposited with the Trustee. In the event that the Agency does not expect to provide the Trustee with sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Agency shall so notify the Trustee no later than the Business Day prior to the scheduled optional redemption date, and the Trustee shall send written notice to the owners of the Bonds, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption will not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of the Indenture.

Sinking Account Redemption

The 2011 Series A Bonds maturing on September 1, 2031 are subject to mandatory redemption in part, by lot, prior to maturity from scheduled sinking fund payments on each September 1 of the years and in the principal amounts as follows, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, without premium:

2011 Series A Bonds Maturing September 1, 2031	
Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2027	\$305,000
2028	365,000
2029	425,000
2030	495,000
2031†	570,000

† Final maturity.

The 2011 Series A Bonds maturing on September 1, 2041 are subject to mandatory redemption in part, by lot, prior to maturity from scheduled sinking fund payments on each September 1 of the years and in the principal amounts as follows, at a redemption price equal

to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, without premium:

2011 Series A Bonds Maturing September 1, 2041	
Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2032	\$ 655,000
2033	940,000
2034	1,055,000
2035	1,185,000
2036	1,320,000
2037	370,000
2038	420,000
2039	480,000
2040	545,000
2041†	615,000

† Final maturity.

The 2011 Series B Bonds maturing on September 1, 2026 are subject to mandatory redemption in part, by lot, prior to maturity from scheduled sinking fund payments on each September 1 of the years and in the principal amounts as follows, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, without premium:

2011 Series B Bonds Maturing September 1, 2026	
Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2022	\$100,000
2023	135,000
2024	175,000
2025	215,000
2026†	260,000

† Final maturity.

Purchase In Lieu of Redemption

In lieu of any redemption of any Bonds designated in the Indenture as Term Bonds, amounts on deposit in the Pledged Housing Set-Aside Fund may also be used and withdrawn by the Agency at any time for the purchase of Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any Term Bonds of a series so purchased by the Agency and surrendered to the Trustee for cancellation at least sixty (60) days prior to any scheduled redemption date shall be credited towards and shall reduce the par amount of Term Bonds of such series required to be redeemed pursuant to the Indenture on such date.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee not less than thirty (30) days prior to the redemption date to the registered owners of the Bonds to be redeemed at the address of such owner shown on the Bond registration books maintained by the Trustee and to the Securities Depositories and to one or more Information Services designated in writing by the Agency to the Trustee; *provided, however*, that neither failure of any Bondowner to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or shall state that all of the Bonds Outstanding of one or more maturities are to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on the Bonds to be redeemed will not accrue from and after the date fixed for redemption.

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, unless otherwise provided in the Indenture, the Agency shall determine the maturities to be redeemed by written notice to the Trustee, and the Trustee shall select the Bonds within a maturity to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed. Notwithstanding the foregoing, if for any reason the Agency fails to provide the Trustee with direction as to the maturities to be redeemed, the Trustee shall select the Bonds to be redeemed pro rata among maturities.

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 Bonds so called for redemption shall have been duly deposited with the Trustee, such Bonds so called shall 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 shall accrue thereon from and after the redemption date.

SECURITY FOR THE BONDS

Limited Obligations

The Bonds and all payments required of the Agency under the Indenture are not general obligations of the Agency but are limited, special obligations of the Agency and are secured by an irrevocable pledge of, and are payable solely from, the Housing Tax Increment Revenues and funds in certain funds and accounts maintained by the Trustee under the Indenture, as described below. The Bonds and interest thereon are not a debt of the Authority, the City, or the State or any of its political subdivisions (other than the Agency to the limited extent set forth in the Indenture), and none of the Authority, the City, or the State or any of its political subdivisions (other than the Agency to the limited extent set forth in the Indenture) is liable for payment of the Bonds. In no event shall the Bonds or the interest thereon be payable out of any funds or properties other than those of the Agency pledged therefore under the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or

statutory debt limitation or restriction. Neither the Members of the Governing Board of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Housing Tax Increment Revenues

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

As provided in the redevelopment plan for the Merged Project Area, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution, taxes levied upon taxable property in the Merged Project Area each year by or for the benefit of the State of California, the County, the City, any district or other public corporation (collectively, the "Taxing Agencies"), for fiscal years beginning after the effective date of the redevelopment plan, will be divided as follows:

(1) *To Taxing Agencies:* The portion of the taxes that 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 Merged Project Area as shown upon the assessment roll used in connection with the taxation of such property by such Taxing Agency last equalized before the establishment of the Merged Project Area will be allocated to, and when collected will be paid into the funds of, the respective Taxing Agencies as taxes by or for those Taxing Agencies.

(2) *To the Agency:* Except as provided in (3) below, the portion of such levied taxes each year in excess of the amount referred to in (1) above will be allocated to, and when collected will be paid into a special fund of, the Agency to the extent necessary to pay indebtedness of the Agency, including but not limited to its obligation to repay the Bonds and any Parity Debt that may be issued by the Agency.

(3) *To Taxing Agencies:* The portion of the taxes identified in (2) above that is attributable to a tax rate levied by a Taxing Agency for the purpose of producing revenues in an amount sufficient to make annual repayments of principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property approved by the voters of the Taxing Agency on or after January 1, 1989, will be allocated to, and when collected shall be paid into, the fund of the Taxing Agency.

Housing Set-Aside Amounts. Sections 33334.2 and 33334.6 of the Redevelopment Law require each redevelopment agency to set aside not less than 20% of all tax increment revenues allocated to the redevelopment agency in a low and moderate income housing fund (the "Low and Moderate Income Housing Fund") to be expended for authorized low and moderate income housing purposes. Amounts on deposit in the Low and Moderate Income Housing Fund may also be applied to pay debt service on bonds, loans or advances used to provide financing for such low and moderate income housing purposes. The Housing Tax Increment

Revenues which are pledged under the Indenture to secure the repayment of the Bonds consist of the amounts to be deposited in the Low and Moderate Income Housing Fund, other than any tax increment revenues arising from the Alameda Landing Property otherwise to be deposited therein (see "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area"), amounts required to be deposited to the District Housing Fund under the AUSD Agreement, but only to the extent that the Agency's obligations thereunder have not been subordinated to the payment of debt service on the Bonds (as described in the next paragraph), and any Business Inventory Subvention.

On November 12, 1991, the Agency and the Alameda Unified School District (the "AUSD") entered into the AUSD Agreement. The AUSD Agreement provides for, among other matters, the Agency to deposit in a special District Housing Fund created by the Agency, eight percent (8%) of the tax increment revenues otherwise payable to the Agency from the Original BWIP Project Area, subject to the provisions of the AUSD Agreement. Amounts to be deposited to the District Housing Fund constitute forty percent of the tax increment funds from the Original BWIP Project Area otherwise required to be deposited by the Agency to its Low and Moderate Income Housing Fund. Under Section 10 of the AUSD Agreement, the AUSD has agreed to subordinate its interest under the AUSD Agreement (including any otherwise required deposit to the District Housing Fund) to the repayment of Agency indebtedness for the BWIP Project Area under certain circumstances. The Agency has taken all actions necessary to subordinate its obligations under the AUSD Agreement to the payment of debt service on the Senior Debt and on the Bonds.

Possible Limitations on Housing Tax Increment Revenues. 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 that have the effect of reducing the property tax rate could reduce the amount of Housing Tax Increment Revenues that would otherwise be available to pay the Agency's obligations including the principal of, premium (if any) and interest on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "BONDOWNERS' RISKS" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES."

As is mentioned under the heading "INTRODUCTION—The Merged Redevelopment Project," the last day for the Agency to receive tax increment revenues (including Housing Tax Increment Revenues) from property in the WECIP Project Area is July 5, 2036. From and after that date, the only source of Housing Tax Increment Revenues that are pledged to the repayment of the Bonds will be Housing Tax Increment Revenues arising from property in the BWIP Project Area. See "THE MERGED PROJECT AREA—Redevelopment Plan Limitations."

Senior Indebtedness; Excluded Area

Senior Debt. On November 3, 2003, the Agency issued its Community Improvement Commission of the City of Alameda Tax Allocation Refunding Bonds (Business and Waterfront Improvement Area), Series 2003C (the "2003 Series C Bonds") in the initial principal amount of \$17,510,000, and its Community Improvement Commission of the City of Alameda Taxable Tax Allocation Refunding Bonds (Business and Waterfront Improvement Area), Series 2003D (the "2003 Series D Bonds") in the initial principal amount of \$1,025,000, both pursuant to an Indenture of Trust, dated as of October 1, 2003 (the "2003 Indenture"), between the Agency and Union Bank, N.A., as trustee. The net proceeds of the 2003 Series C Bonds and of the 2003 Series D Bonds were used to refund certain prior obligations of the Agency, a portion of the proceeds of which prior obligations were used to finance housing activities of the Agency.

As a result of such use of prior obligations to fund housing activities, the pledge of tax increment revenues under the 2003 Indenture to secure the repayment of the 2003 Series C Bonds and the 2003 Series D Bonds includes a pledge of the portion of the Housing Tax Increment Revenues attributable to the BWIP Project Area in an amount necessary to pay 15.85% of the scheduled debt service on the 2003 Series C Bonds and all of the scheduled debt service on the 2003 Series D Bonds. The pledge of the Housing Tax Increment Revenues attributable to the BWIP Project Area under the Indenture is subordinate to the pledge of such revenues under the 2003 Indenture with respect to 15.85% of the scheduled debt service on the 2003 Series C Bonds and all of the scheduled debt service on the 2003 Series D Bonds. However, any tax increment revenues arising from the Excluded Area (see discussion in the second succeeding paragraph) otherwise required to be deposited to the Agency's Low and Moderate Income Housing Fund is pledged to the payment of, and can be used to pay, 15.85% of the scheduled debt service on the 2003 Series C Bonds and all of the scheduled debt service on the 2003 Series D Bonds.

Senior Refunding Debt. The pledge of Housing Tax Increment Revenues under the Indenture is also subordinate to the pledge thereof with respect to any future "Senior Refunding Debt." Senior Refunding Debt is defined in the Indenture as any loan, bond, note, advance or indebtedness the proceeds thereof are used to refund all or a portion of the Senior Debt (and to pay costs of issuance of and fund a reserve fund for such refunding debt), and the debt service payable from Housing Tax Increment Revenues due on such refunding debt in any twelve month period commencing each February 1 in which the refunding debt is outstanding is not greater than the debt service payable from Housing Tax Increment Revenues due in each such twelve month period on the portion of the Senior Debt refunded with the proceeds of such refunding debt.

Excluded Area. On December 4, 2007, the Agency entered into a First Amendment to Disposition and Development Agreement (Alameda Landing Mixed Use Project) (the "Amendment to DDA") with Palmtree Acquisition Corporation ("Palmtree"). The Amendment to DDA amended the Disposition and Development Agreement (Alameda Landing Mixed Use Project) dated as of December 5, 2006 (the "DDA") relating to the development of certain real property owned by the Agency. The Amendment to DDA, among other provisions, amended the DDA to require that any pledge of tax increment revenues from the Merged Project Area contain an express exclusion of tax increment revenues arising from a 77 acre site known as the "Alameda Landing Property," and to instead use such tax increment revenue to repay an obligation of the Agency under the DDA. The Housing Tax Increment Revenue pledged to the repayment of the Bonds specifically excludes any tax increment revenues attributable to the Alameda Landing Property; however, as described above, any tax increment revenues from the Alameda Landing Property are pledged to the payment of debt service on the Senior Debt.

Pledge Under the Indenture

The Bonds and any future Parity Debt issued under the Indenture (collectively referred to in this Official Statement as the "Outstanding Agency Bonds") are secured by a pledge of and lien on all of the Housing Tax Increment Revenues, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, subject only to the prior pledge of the Housing Tax Increment Revenues with respect to the Senior Debt or any Senior Refunding Debt. The Outstanding Agency Bonds are additionally secured by a first and exclusive pledge of and lien upon all of the moneys in the Reserve Account, the Pledged Housing Set-Aside Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account and the Redemption Account. Except for the Housing Tax Increment Revenues and amounts in such funds and accounts created under the Indenture, no funds or properties of the Agency are pledged to, or otherwise liable for, the payment of principal of or

interest or redemption premium (if any) on the Bonds. Amounts in the Costs of Issuance Fund and the Housing Projects Fund established pursuant to the Indenture are not pledged as security for the Bonds.

The term "Housing Tax Increment Revenues" is defined in the Indenture as all taxes annually allocated and paid to the Agency with respect to the Merged 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, including 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, which are required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.2 or 33334.6 of the Redevelopment Law; but excluding (a) any such taxes arising from the Alameda Landing Property (see "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area"); (b) amounts required to be deposited to the District Housing Fund under the AUSD Agreement, but only to the extent that the Agency's obligations thereunder have not been subordinated to the payment of debt service on the Bonds (see "SECURITY FOR THE BONDS—Housing Tax Increment Revenues – Housing Set-Aside Amounts" for a discussion regarding the AUSD Agreement and its subordination to the Bonds), and (c) any Business Inventory Tax Subvention. Except for the pledge of the portion of the Housing Tax Increment Revenues attributable to the BWIP Project Area under the 2003 Indenture described under the heading "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area" above, the Housing Tax Increment Revenues are not subject to the pledge and lien of any indebtedness of the Agency other than the Bonds and any Parity Debt that may hereafter be issued in accordance with the Indenture, and certain other obligations which are made or are by their terms subordinate to the payment of the Bonds. See "THE MERGED PROJECT AREA—Outstanding Indebtedness."

Pledged Housing Set-Aside Fund; Deposit of Housing Tax Increment Revenues

There has been established by the Indenture a special fund known as the "Pledged Housing Set-Aside Fund," which is held by the Agency. Under the Indenture, the Agency has covenanted to deposit all of the Housing Tax Increment Revenues received in any Bond Year, after satisfying the requirements of the Senior Debt or any Senior Refunding Debt for debt service payments due on the Senior Debt and any Senior Refunding Debt during the twelve month period that commences on the February 1 occurring during such Bond Year, in the Pledged Housing Set-Aside Fund promptly upon receipt thereof by the Agency, until such time (if any) during such Bond Year as the amount on deposit in the Pledged Housing Set-Aside Fund equals the aggregate amounts required to be transferred to the Trustee pursuant to the Pledged Housing Set-Aside Fund and Debt Service Fund provisions of the Indenture for such Bond Year. So long as any Bonds are outstanding, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Pledged Housing Set-Aside Fund, except as may be provided in the Indenture and in any Parity Debt Instruments that may be executed in connection with the issuance of Parity Debt.

On or before each date on which interest on the Bonds becomes due and payable, the Indenture provides that the Agency withdraw from the Pledged Housing Set-Aside Fund and deposit with the Trustee the amount of money necessary to make the deposits described under the subheadings "Interest Account," "Principal Account," "Sinking Account," "Reserve Account," and "Redemption Account" under the subheading "Debt Service Fund" below. All Housing Tax Increment Revenues received by the Agency at any time during any Bond Year in excess of the amount required to be transferred to the Trustee during such Bond Year as described in the preceding sentence are released from the pledge and lien under the Indenture and the Agency may use such excess Housing Tax Increment Revenues for any lawful purpose of the Agency.

Debt Service Fund

There is established under the Indenture a fund known as the "Debt Service Fund," to be held by the Trustee. All moneys in the Debt Service Fund are required to be set aside by the Trustee in the following respective special accounts within the Debt Service Fund (each of which is created under the Indenture and each of which the Trustee agrees in the Indenture to cause to be maintained), in the following order of priority: (i) Interest Account; (ii) Principal Account; (iii) Sinking Account; (iv) Reserve Account; and (v) Redemption Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture and described below. So long as any Bonds are outstanding, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Debt Service Fund, except as may be provided in the Indenture.

Interest Account. On or before each date on which interest on the Bonds becomes due and payable, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Bonds and on any Parity Debt theretofore issued (collectively, the "Outstanding Agency Bonds") on such date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Outstanding Agency Bonds as it shall become due and payable (including accrued interest on any Outstanding Agency Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Principal Account; Sinking Account. On or before each date on which principal of the Outstanding Agency Bonds becomes due and payable at maturity, or date on which any Outstanding Agency Bonds that are Term Bonds become subject to mandatory Sinking Account redemption, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit (i) in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Agency Bonds; and (ii) in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Outstanding Agency Bonds that are Term Bonds subject to mandatory Sinking Account redemption on such date. In the event that the amount then in the Pledged Housing Set-Aside Fund, following the transfer described in the preceding subparagraph (a), is not sufficient to fully fund the amounts described in the preceding clauses (i) and (ii), the Trustee shall deposit the available funds in the Pledged Housing Set-Aside Fund pro rata to the Principal Account and the Sinking Account, based on the aggregate principal and Sinking Account payments then due on the Outstanding Agency Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Agency Bonds upon the maturity thereof. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Outstanding Agency Bonds that are Term Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

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 (to the extent known to it) shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee from the Pledged Housing Set-Aside Fund an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account shall be used and withdrawn by the Trustee for the purpose of making

transfers to (i) the Interest Account, and (ii) the Principal Account and the Sinking Account, in such order of priority (pro rata to the Principal Account and the Sinking Account, based upon the principal and sinking account payments then due, if the amount then in the Reserve Account, after satisfying any deficiency in the Interest Account, is not sufficient to fully satisfy any then deficiencies in the Principal Account and the Sinking Account), on any date which the principal of or interest on the Outstanding Agency Bonds becomes due and payable hereunder, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Outstanding Agency Bonds. If, as of any Interest Payment Date, no Event of Default shall have occurred and then be continuing and the aggregate amount on deposit in the Reserve Account is in excess of the then Reserve Requirement, the Trustee shall withdraw the excess amount and transfer the excess amount to the Interest Account to be used for the purposes of such account.

Redemption Account. On or before each date on which Outstanding Agency Bonds are subject to redemption, other than mandatory sinking account redemption of Outstanding Agency Bonds that are Term Bonds, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Outstanding Agency Bonds to be so redeemed on such date. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Outstanding Agency Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory sinking account redemptions of Outstanding Agency Bonds that are Term Bonds.

Reserve Account

There is established under the Indenture a separate account known as the "Reserve Account," which is to be held by the Trustee in trust. The Indenture requires that an amount equal to the Reserve Requirement be maintained in the Reserve Account at all times, and any deficiency therein be replenished from available moneys in the Pledged Housing Set-Aside Fund as described under the subheading "Reserve Account" under the subheading "Debt Service Fund" above. As defined in the Indenture, the term "Reserve Requirement" means, as of any date of calculation by the Agency, the least of (i) ten percent (10%) of the initial principal of the Outstanding Agency Bonds, (ii) 125% of Average Annual Debt Service with respect to the Outstanding Agency Bonds and any future Parity Debt, or (iii) Maximum Annual Debt Service with respect to the Outstanding Agency Bonds and any future Parity Debt. Immediately following the issuance of the Bonds, the Reserve Requirement will be \$1,103,500.00. So long as no Event of Default shall have occurred and be continuing under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement as of any Interest Payment Date for the Bonds shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account for use as described under the subheading "Debt Service Fund—Interest Account" above.

The Agency has the right at any time 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 Tax-Exempt Bonds 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 Agency free and clear of the lien of the Indenture. The Indenture requires that the Trustee comply with all documentation relating to a Qualified Reserve Account Credit Instrument as may be required to maintain the Qualified Reserve

Account Credit Instrument in full force and effect and as may be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Reserve Account provisions of the Indenture.

At least fifteen (15) days prior to the expiration of any Qualified Reserve Account Credit Instrument, the Agency is obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Reserve Account is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Agency fails to take action as described in clause (i) or (ii) of the preceding sentence, the Trustee will, prior to the expiration thereof, draw upon the Qualified Reserve Account Credit Instrument in full and deposit the proceeds of such draw in the Reserve Account.

In the event that the Reserve Requirement is at any time maintained in the Reserve Account in the form of a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee will apply the amount of such cash to make any payment required to be made from the Reserve Account before the Trustee draws any moneys under the Qualified Reserve Account Credit Instrument for such purpose. In the event that the Trustee at any time draws funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from the Reserve Account, the Housing Tax Increment Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made pursuant to Debt Service Fund provisions of the Indenture, will be used to reinstate the Qualified Reserve Account Credit Instrument. See APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions for the definition of Qualified Reserve Account Credit Instrument.

Issuance of Parity Debt

The Agency may at any time after the issuance and delivery of the Bonds issue Parity Debt under the Indenture payable from the Housing Tax Increment Revenues and secured by a lien and charge upon the Housing Tax Increment Revenues equal to and on a parity with the lien and charge under the Indenture securing the Bonds, but only subject to specific conditions. Those conditions include the requirement that the Agency provide to the Trustee a certificate or opinion of an Independent Redevelopment Consultant showing:

(i) for the current and each future Bond Year the Annual Debt Service for each such Bond Year with respect to all Bonds and Parity Debt to be outstanding following the issuance of the Parity Debt; and

(ii) the Housing Tax Increment Revenues projected to be received by the Agency in each Fiscal Year during the term of the Bonds and the Parity Debt to be issued, assuming no growth in assessed value from the then Fiscal Year, but taking into account all Plan Limitations and other known factors which would cause a reduction in Housing Tax Increment Revenues in any future Bond Year, plus at the option of the Agency, the Additional Allowance (see APPENDIX A – “Summary of Certain Provisions of the Indenture -- Definitions”); and

(iii) that (A) the Housing Tax Increment Revenues referred to in (ii) above, plus (B) any tax increment revenues arising from the Alameda Landing Property available to pay debt service on the Senior Debt and any Senior Refunding Debt (but not in any event more than the scheduled debt service on such Senior Debt and Senior Refunding Debt), are at least equal to 125% of the aggregate Annual Debt Service for each Bond Year on all Bonds, Parity Debt, Senior Debt and Senior Refunding Debt to be

outstanding following the issuance of the Parity Debt (excluding debt service with respect to any portion of the Parity Debt deposited in an escrowed proceeds account as described below).

For the purposes of the issuance of Parity Debt, Annual Debt Service shall not include the principal and interest attributable to the portion of any Parity Debt which are deposited in an escrow fund held by an escrow agent, provided that the instrument pursuant to which the Parity Debt have been issued provides that: (a) such proceeds in the escrow fund shall be deposited or invested with or secured by an institution rated "A" by S&P or "A" by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on said portion of the principal of the Parity Debt; (b) moneys may be transferred from said escrow fund only if the Parity Debt test described in clause (iii) above is met with respect to the amounts to be transferred from the escrow fund; and (c) Parity Debt shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency. See APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Issuance of Parity Debt.

Issuance of Subordinate Debt

The Agency may incur subordinate debt in the form of tax allocation bonds, or other debt secured by a pledge of Housing Tax Increment Revenues subordinate to the pledge thereof under the Indenture (the "Subordinate Debt"); however, the Indenture requires that the issuance of any Subordinate Debt (after taking into account the Outstanding Agency Bonds and all other obligations of the Agency payable from Housing Tax Increment Revenues) shall not cause the Agency to exceed any applicable Plan Limitations and the Agency will at all times that the Bonds are outstanding have sufficient capacity to receive Housing Tax Increment Revenues in an amount at least equal to the remaining Debt Service on the Outstanding Agency Bonds. See "THE MERGED PROJECT AREA—Redevelopment Plan Limitations" and APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.

Investments

The proceeds of the Bonds and other moneys required to be deposited in the funds and accounts established by the Indenture and held by the Trustee will be invested in Permitted Investments, as defined in the Indenture. Amounts held by the Agency in the Pledged Housing Set-Aside Fund will be invested in any lawful investments for the Agency under applicable law. See "BONDOWNERS' RISKS—Investment of Housing Tax Increment Revenues and Other Funds" and APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions.

THE AGENCY

General

The Agency is a public body, corporate and politic, existing under and by virtue of the Redevelopment Law. The Agency was activated by the City Council in 1982 pursuant to Ordinance No. 2103.

Agency Members

The Agency is governed by a 5-member board of commissioners which consists of all members of the City Council. The members of the board of commissioners of the Agency and the expiration dates of their respective terms of office are listed below.

<u>Board Member</u>	<u>Expiration of Term</u>
Beverly Johnson	December 2012
Rob Bonta	December 2014
Doug deHaan	December 2012
Lena Tam	December 2014
Marie Gilmore	December 2014

Agency Powers

All powers of the Agency are vested in its board members. Pursuant to the Redevelopment Law, the Agency is a public body separate and apart from the City or the Authority, and exercises governmental functions, including planning and implementing redevelopment projects. The debts and obligations of the Agency are not debts or obligations of the City or the Authority.

The Agency may exercise the authority to issue bonds for authorized purposes and to expend the proceeds thereof, and the right to acquire, sell, rehabilitate, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements, including streets, sidewalks and utilities, and can further prepare for use as a building site any real property which it owns or administers.

In addition to the power to issue bonds, the Agency is authorized to expend or advance funds available to the Agency for the purpose of increasing, improving and preserving the community's supply of low and moderate income housing available at affordable housing cost to persons and families of low and moderate income, including very low income persons. In carrying out this purpose, the Agency may exercise any or all of its powers, including providing financial assistance and/or pledging Agency funds to pay for plans for and construction of buildings and structures and related onsite or offsite improvements, to provide subsidies to or for the benefit of very low income households and to pay principal and interest and other financing costs relating to bonds, loans, advances or other indebtedness.

Agency Financial Statements

The annual financial report of the Agency for the fiscal year ended June 30, 2010 is included as Appendix C to this Official Statement. The financial statements referred to above have been audited by Caporicci & Larson, Inc., San Francisco, California, independent certified public accountants (the "Auditor"). The Agency has not requested nor did the Agency obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. In addition, the Auditor has not performed any post-audit review of the financial condition or operations of the Agency and has not reviewed this Official Statement.

THE MERGED PROJECT AREA

General

In July 1983, the City Council approved the WECIP Project Area to assist in the financing of streets, utilities, and other public improvements necessary to alleviate blight on properties along the Oakland/Alameda estuary and to make private sector investment economically feasible. The WECIP Project Area is located adjacent to and south of the Oakland Estuary, and east of Webster Street and the Webster Street Tube (as well as right of way contained in the commercial business street, known as Webster Street). The WECIP Project Area is an irregularly shaped area of approximately 225 acres of public and private land, divided into two segments separated by Constitution Way. The assessed valuation of real property within the WECIP Project Area for fiscal year 2010-11 was \$501,971,937.

In June 1991, the City Council approved the Original BWIP Project Area, which is an irregularly shaped area of approximately 749 acres of public and private land. The Original BWIP Project Area includes the Park Street and Webster Street business districts, two neighborhood commercial districts along Lincoln Avenue, most of the estuary waterfront from Tilden Way to the former Alameda Naval Air Station, now Alameda Point, the Civic Center, and the primary entrances to the City. The assessed valuation of real property in the Original BWIP Project Area for fiscal year 2010-11 was \$889,021,697.

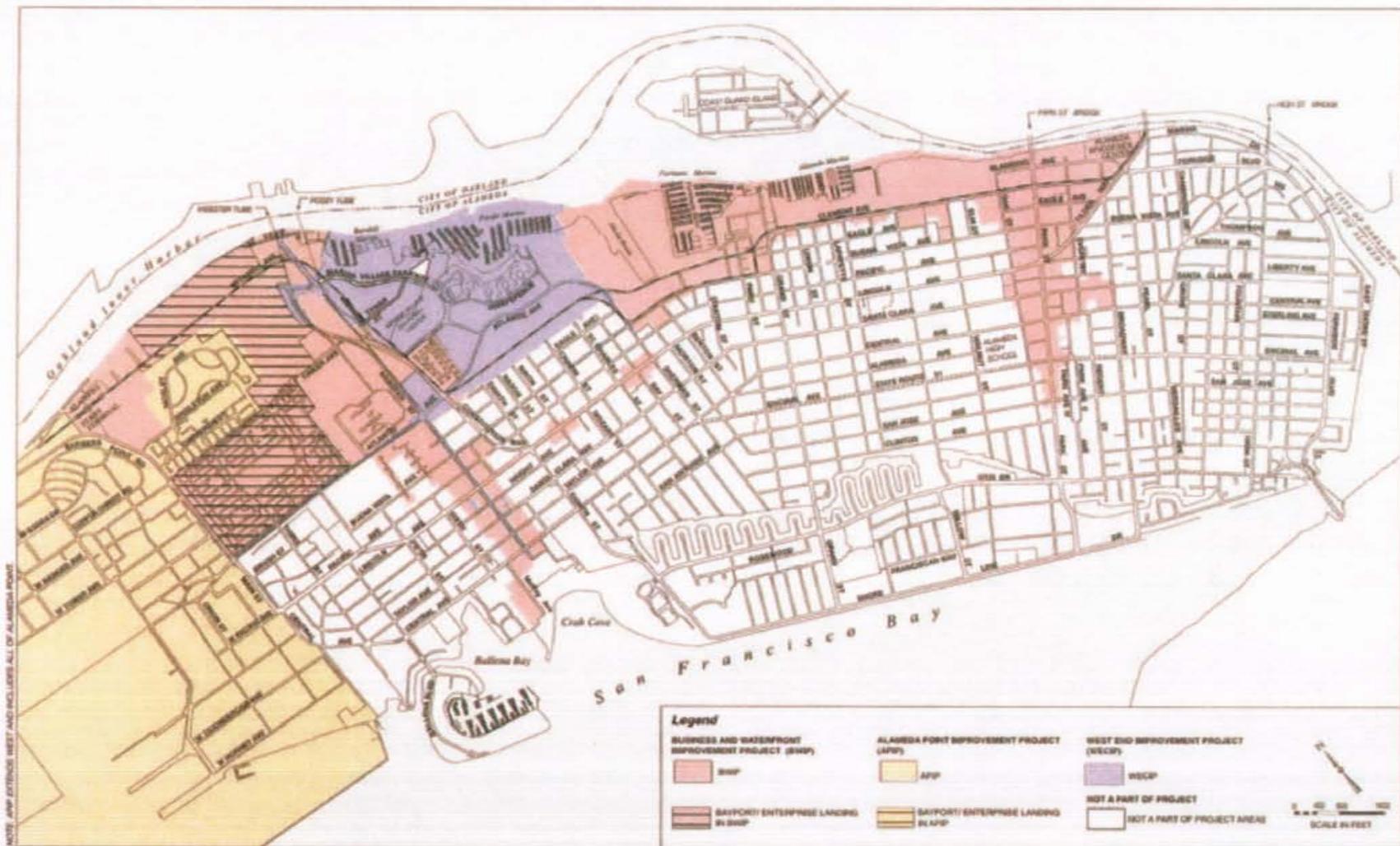
In March 1998, the City Council approved the redevelopment plan for the Agency's Alameda Point Improvement Project (the "APIP Project Area"), consisting of approximately 2,688 acres of land and water comprised of the former Alameda Naval Air Station and a portion of the Fleet Industrial Supply Center (FISC). The APIP Project Area included a 123 acre area identified as the "Exchange Area" which included an East Housing Area and a portion of the FISC property. The Housing Tax Increment Revenues do not include any tax increment revenues from the APIP Project Area, except tax increment revenues from the Exchange Area which has been added to the Original BWIP Project Area as described below. The assessed valuation of real property in the Exchange Area for fiscal year 2010-11 was \$342,079,321.

Fiscal Merger of Project Areas

Under the authority granted in Article 16 of Chapter 4 of Part 1 of Division 24 of the Redevelopment Law pertaining to the merger of redevelopment project areas, on April 1, 2003, the City Council of the City adopted Ordinance Nos. 2896 and 2897 amending and merging the redevelopment plans for the WECIP Project Area and the Original BWIP Project Area in order to (i) add the Exchange Area to the Original BWIP Project Area (the Original BWIP Project Area, together with the Exchange Area, is referred to in this Official Statement as the "BWIP Project Area"), (ii) fiscally merge the BWIP Project Area and the WECIP Project Area, and (iii) to extend or reestablish eminent domain powers at the Agency in the WECIP Project Area and the BWIP Project Area. The merged WECIP Project Area and the BWIP Project Area is referred to in this Official Statement as the "Merged Project Area." By reason of the fiscal merger, except as provided in the next paragraph, under Section 33486 of the Redevelopment Law, tax increment revenues attributable to the WECIP Project Area and the BWIP Project Area may be allocated to the Merged Project Area for purposes of paying the principal of, and interest on, indebtedness incurred by the Agency to finance or refinance, in whole or in part, redevelopment activities within any portion of the Merged Project Area. Notwithstanding the foregoing, the Housing Tax Increment Revenues can be used to finance housing activities anywhere within or of benefit to the property in the Merged Project Area.

Under Section 33486(b) of the Redevelopment Law, however, any indebtedness of the Agency incurred prior to April 1, 2003 on account of the WECIP Project Area or the BWIP Project Area will be paid from such project area's tax increment revenues as needed to comply with the terms of any bond resolution or agreement pledging tax increment revenues from the respective project area, before tax increment revenues can be used for Merged Project Area indebtedness. The only such pre-April 1, 2003 indebtedness of the Agency secured by a pledge of any of the Housing Tax Increment Revenues is the 1992 Loan Agreement, which will be discharged with proceeds of the 2011 Series B Bonds. See "FINANCING PLAN" herein.

A map highlighting the Agency's project area is shown on the following page. Note that tax increment revenues from the APIP Project Area, including that portion of such revenues required to be deposited to the Agency's low and moderate income housing fund, are not included in the Housing Tax Increment Revenues pledged to the repayment of the Bonds.



NOTE: AMP EXTENSIVE SHEET AND INCLUDES ALL OF ALAMEDA POINT

SOURCE: City of Alameda NOTE: This map is for graphic purposes only

Redevelopment Plan Limitations

Provisions of the Redevelopment Law and the Redevelopment Plans for the WECIP Project Area and the BWIP Project Area that comprise the Merged Project Area establish various time limits for undertaking redevelopment activities and for repaying debt incurred to finance redevelopment projects. These time limits for the WECIP Project Area, the Original BWIP Project Area and the Exchange Area that make up the Merged Project Area are set forth in the table below.

**TABLE 1
MERGED PROJECT AREA
REDEVELOPMENT PLAN LIMITATIONS**

Limit	WECIP Project Area	Original BWIP Project Area	Exchange Area
Debt Establishment	None	None	4/1/2023
Plan Effectiveness	7/5/2026	6/18/2032	4/1/2034
Debt Repayment	7/5/2036	6/18/2042	4/1/2049

Source: Fiscal Consultant's Report in Appendix D.

Note that by reason of amendments to the Redevelopment Plans for the WECIP Project Area and the BWIP Project Area permitted by SB 211, there is no time limit applicable to the incurrence of debt by the Agency with respect to such project areas.

The Agency currently may not receive, and may not repay indebtedness with the proceeds from property taxes received pursuant to Section 33670 of the Redevelopment Law and the Redevelopment Plan as it applies to each of the WECIP Project Area, the Original BWIP Project Area and the Exchange Area, beyond the respective dates indicated in the table above, except in order to fulfill the Agency's housing obligations under Section 33333.8(a) of the Redevelopment Law (as provided in Sections 33333.2(a)(3), 33333.6(a) and 33333.8(c) of the Redevelopment Law) and the Redevelopment Plan. By reason of the foregoing limitation on the receipt of tax increment revenues, and the last date for the receipt of tax increment revenues from property in the WECIP Project Area being July 5, 2036 as shown in Table 1 above, from and after July 5, 2036 the only source of Housing Tax Increment Revenues to repay the Bonds will be those revenues arising from property in the BWIP Project Area.

Redevelopment project areas adopted prior to January 1, 1994 were required to establish limits on the amount of bonded indebtedness that may be outstanding at any time and limits on the amount of tax increment revenue that could be received over the life of a project area. When the WECIP Project Area and the Original BWIP Project Area were fiscally merged, individual limits for these project areas were combined to form the following limits for the Merged Project Area:

Bonded Indebtedness Limit: \$210,000,000
Tax Increment Revenue Limit: \$691,000,000

However, tax increment revenue from the Exchange Area is not subject to a tax increment revenue limit since the redevelopment plan attributable to the Exchange Area was adopted after January 1, 1994 (and pursuant to an amendment to make technical clarifying changes to the Redevelopment Plan pursuant to Ordinance No. 2999 adopted by the City Council on July 22, 2009).

Based on tax increment receipt records of the Agency, tax increment revenue for the Original BWIP Project Area and WECIP Project Area have totaled approximately \$137,000,000 through fiscal year 2009-10, representing approximately 20% of the above-shown aggregate tax increment receipt limit. Based upon the maximum allowable inflationary growth factor of 2% per year, the Agency expects that \$507,000,000 million (or 73%) of the aggregate \$691,000,000 limit will be received by the Agency through the fiscal year 2041-42 tax increment receipt time limit for the Original BWIP Project Area. The \$691,000,000 tax increment revenue limit is projected to be reached prior to the end of the last fiscal year the Agency could receive tax increment to repay debt from the WECIP Project Area and the Original BWIP Project Area (last fiscal year being 2041-2042) if assessed values were to grow at a future annual rate of more than approximately 3.75% per year commencing in fiscal year 2012-13. Between fiscal years 2005-06 and 2010-11, assessed values in the Original BWIP Project Area grew an average annual rate of approximately 6.1% per year and assessed values in the WECIP Project Area grew at 0.7% per year, representing a weighted average of 4.0% per year. As stated above, the Exchange Area is not subject to a tax increment revenue limit, and the foregoing weighted average was computed without regard to tax increment revenues from the Exchange Area.

Outstanding Indebtedness

In addition to (i) the loan to the Agency under the 1992 Loan Agreement to be discharged with proceeds of the 2011 Series B Bonds, and (ii) the Senior Debt (constituting the 2003 Series D Bonds and a portion of the 2003 Series C Bonds), the Agency has incurred the following obligations payable from all or a portion of the Housing Tax Increment Revenues:

(a) The Agency and the AUSD are parties to the AUSD Agreement pursuant to which the Agency is obligated to deposit forty-percent of the tax increment revenues from the Original BWIP Project Area otherwise required to be deposited to the Agency's low and moderate income housing fund to a "District Housing Fund" for use by the School District subject to the terms and conditions of the AUSD Agreement. The AUSD Agreement allows for the subordination of the Agency's obligations thereunder to indebtedness incurred by the Agency for the BWIP Project Area, and the Agency has taken all actions necessary to subordinate its obligations under the AUSD Agreement to the repayment of the Bonds and the Senior Debt. SEE "SECURITY FOR THE BONDS—Housing Tax Increment Revenues – Housing Set-Aside Amounts."

(b) The Agency entered into an agreement with the Housing Authority in 1989 whereby it agreed to use housing set-aside funds generated within the WECIP Project Area to support a 186-unit affordable housing development known as Independence Plaza. The Agency is obligated to reimburse the Housing Authority semi-annually for a rental subsidy, operating costs, debt service, and other expenses related to the initial development and on-going maintenance of the affordable units. The payment to the Housing Authority under the agreement is limited to housing set-aside funds generated within the WECIP Project Area after the Agency's administrative costs related to the agreement and debt service on tax allocation bonds referenced in the agreement (bonds originally issued in 1985, then redeemed with proceeds of the 1992 Bonds, and now proposed to be repaid with the prepayment of the loan under the 1992 Loan Agreement to be discharged with proceeds of the 2011 Series B Bonds). Payment is limited to the actual amount of the rental subsidy and other reimbursable expenses. Payments pursuant to this agreement are an unsecured contractual obligation of the Agency's Low and Moderate Income Housing Fund, and the Agency's obligations under this agreement are subordinate to its obligations with respect to the Bonds.

(c) The Agency is a party to a settlement agreement dated October 5th 2010 with Francis and Catherine Collins. The Agency agreed to reimburse site-specific tax increment and housing set-aside to be generated by a proposed development on a 9.4 acre property to fund eligible expenses related to the proposed project. Pursuant to the agreement, the Agency has agreed to enter into an owner participation agreement that would provide for such reimbursement; however, no such agreement has yet been executed. The settlement agreement represents an unsecured contractual obligation of the Agency.

(d) The Agency entered into a Affordable Housing Reimbursement Agreement with the Housing Authority on February 2, 2011. The Agency agreed to reimburse the Housing Authority for a series of projects identified in the agreement using any and all existing or future housing set-aside funds or bond proceeds, which are not budgeted or appropriated for payment of other indebtedness. The Agency's obligations under the agreement are expressly subordinate to bonded indebtedness.

Assessed Valuation

A breakdown of the fiscal year 2010-11 assessed valuation of \$1,733,072,955 in the Merged Project Area by category of land use is shown in the following table.

**TABLE 2
MERGED PROJECT AREA
BREAKDOWN OF ASSESSED VALUATION BY CATEGORY OF LAND USE**

Designated Land Use	No. of Parcels	2010-11 Taxable Value	% of Total
<u>Commercial Properties</u>			
Office	60	\$216,465,002	12.5%
Retail	261	243,006,629	14.0
Miscellaneous	82	51,145,363	3.0
Hotel & Motel	7	27,020,843	1.6
Vacant Commercial Land	26	38,731,979	2.2
Subtotal Commercial	436	\$576,369,816	33.3%
<u>Industrial Properties</u>			
Light Industrial	45	\$143,852,077	8.3%
Warehouse / Distribution	22	38,361,014	2.2
Miscellaneous	6	8,087,469	0.5
Vacant Industrial Land	21	6,015,352	0.3
Subtotal Industrial	94	\$196,315,912	11.3%
<u>Residential Properties</u>			
Condominiums	212	\$ 71,006,527	4.1%
Single Family	841	424,377,482	24.5
Multi-Family	143	61,176,252	3.5
Vacant Residential Land	213	115,104,134 ⁽¹⁾	6.6
Common Area	144	0	0.0
Subtotal Residential	1,553	\$671,664,395	38.8%
<u>Other Uses</u>			
Institutional	47	\$ 36,913,356	2.1%
Other Uses	0	0	0.0
Publicly Owned	105	0	0.0
SBE Assessed ⁽²⁾	0	30,717,668	1.8
Unsecured Assessments ⁽³⁾	0	221,091,808	12.8
Subtotal Other Uses	152	\$288,722,832	16.7%
Merged Project Total	2,235	\$1,733,072,955	100.0%

Source: Alameda County Assessor's Office, as reported by the Fiscal Consultant. See APPENDIX D—FISCAL CONSULTANT'S REPORT.

⁽¹⁾ Primarily consists of recently completed single family homes within the Bayport residential project that as of July 1, 2010 were still assigned a "vacant land" classification in the County's database.

⁽²⁾ Alameda County Auditor-Controller.

⁽³⁾ Unsecured values are represented by 2,811 unsecured assessments per the Alameda County Assessor's Office.

See Tables 3.1 and 3.2 in the Fiscal Consultant's Report in Appendix D for tables showing the land uses for each of the BWIP Project Area and the WECIP Project Area, respectively.

As shown in the table above, the Merged Project Area's land use composition is diverse, including commercial, residential and industrial uses. Residential uses represent the dominant use, accounting for 38.8% of total assessed value for the Merged Project Area. Commercial properties account for 33.3% of the total valuation, unsecured assessments and other property accounts for 16.7% of the total valuation, and industrial properties account for 11.3% of the total valuation.

The following table shows the actual assessed values for the WECIP Project Area, the Original BWIP Project Area and the Exchange Area that comprise the Merged Project Area for Fiscal Years 2005-06 to 2010-11, based upon the County Auditor-Controller's equalized rolls

and incremental values of property within the Merged Project Area as reported by the Fiscal Consultant.

**TABLE 3
MERGED PROJECT AREA
HISTORICAL TAXABLE VALUES AND TOTAL INCREMENTAL VALUE
(Fiscal Years Ended June 30)**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
I. <u>Original BWIP Area</u>						
Secured	\$560,528,311	\$608,029,375	\$654,795,711	\$725,436,290	\$761,379,702	\$760,681,122
Utility	9,445,683	9,435,664	9,332,179	9,332,179	9,332,179	11,980,900
Unsecured	92,003,246	89,285,845	100,022,594	113,420,919	121,896,940	116,359,675
Total	\$661,977,240	\$706,750,884	\$764,150,484	\$848,189,388	\$892,608,821	\$889,021,697
% change from prior year	N/A	6.8%	8.1%	11.0%	5.2%	-0.4%
II. <u>Exchange Area</u>						
Secured	\$92,701,480	\$178,060,762	\$294,067,443	\$360,128,533	\$360,271,569	\$340,353,219
Utility	0	0	0	0	0	0
Unsecured	996,681	3,160,490	993,213	1,648,641	2,332,693	1,726,102
Total	\$93,698,161	\$181,221,252	\$295,060,656	\$361,777,174	\$362,604,262	\$342,079,321
% change from prior year	N/A	93.4%	62.8%	22.6%	0.2%	-5.7%
III. <u>WECIP Area</u>						
Secured	\$350,497,196	\$360,866,093	\$363,556,456	\$382,742,061	\$385,855,662	\$380,229,138
Utility	16,923,752	16,836,796	16,384,958	16,384,958	16,384,958	18,736,768
Unsecured	116,507,972	116,866,130	116,674,149	121,034,239	115,860,988	103,006,031
Total	\$483,928,920	\$494,569,019	\$496,615,563	\$520,161,258	\$518,101,608	\$501,971,937
% change from prior year	N/A	2.2%	0.4%	4.7%	-0.4%	-3.1%
IV. <u>Total Merged Project Area</u>						
Secured	\$1,003,726,987	\$1,146,956,230	\$1,312,419,610	\$1,468,306,884	\$1,507,506,933	\$1,481,263,479
Utility	26,369,435	26,272,460	25,717,137	25,717,137	25,717,137	30,717,668
Unsecured	209,507,899	209,312,465	217,689,956	236,103,799	240,090,621	221,091,808
Total	\$1,239,604,321	\$1,382,541,155	\$1,555,826,703	\$1,730,127,820	\$1,773,314,691	\$1,733,072,955
% change from prior year	N/A	11.5%	12.5%	11.2%	2.5%	-2.3%

Source: Alameda County Auditor-Controller, as reported by the Fiscal Consultant. See APPENDIX D—FISCAL CONSULTANT'S REPORT.

The aggregate total taxable assessed value for the ten largest taxpayers in the Merged Project Area for Fiscal Year 2010-11 is \$439,749,018. This amount is approximately 31% of the \$1,426,439,961 Merged Project Area incremental value and approximately 25% of the \$1,733,072,955 total Merged Project Area assessed value. Information regarding the ten largest taxpayers in the Merged Project Area is set forth in Table 4 below.

**TABLE 4
MERGED PROJECT AREA
FISCAL YEAR 2010-11 LARGEST PROPERTY TAXPAYERS BY ASSESSED VALUE**

	Assessee Name	Property Use(s)	No. of Parcels ⁽¹⁾	2010-11 Assessed Value	% of Merged Project	
					Total Value ⁽²⁾	Incremental Value ⁽³⁾
1	Legacy Partners	Business Park	44	\$208,753,173	12.0%	14.6%
2	Wind River Systems, Inc.	Office	9	74,100,471	4.3	5.2
3	SRM Marina Investors LLC	Marina, Office	11	35,586,786	2.1	2.5
4	CREA Bridgeside LLC	Shopping Center	3	33,530,000	1.9	2.4
5	Worthington William F Jr Tr & Oakmont Senior Living of Alameda ETAL	Nursing/ Custodial Care Facility	1	22,693,192	1.3	1.6
6	Extra Space Properties Two LLC	Warehouse	3	15,941,294	0.9	1.1
7	Victoria Marina LLC	Shopping Center	4	15,060,200	0.9	1.1
8	Central Alameda LLC	Medical/Dental Office	2	12,719,749	0.7	0.9
9	BRE ESA Properties LLC	Motel	2	11,219,435	0.6	0.8
10	SCLTD 604 & SCLTD 701	Medical/Dental Offices	1	10,144,718	0.6	0.7
Totals:			80	\$439,749,018	25.4%	30.8%

Source: Alameda County Assessor's 2010-11 Assessment Roll, as reported by the Fiscal Consultant. See APPENDIX D—FISCAL CONSULTANT'S REPORT.

(1) Number of secured parcels and / or unsecured assessments.

(2) Based upon reported Fiscal Year 2010-11 Merged Project Area aggregate assessed value of \$1,733,072,955.

(3) Based upon reported Fiscal Year 2010-11 Merged Project Area aggregate incremental value of \$1,426,439,961.

Of the largest taxpayers by assessed value listed in the table above, each of the entities listed as 1 through 7 above has filed one or more appeals with regard to their respective assessed value. See "THE MERGED PROJECT AREA—Appeals of Assessed Values," and Table 2 and Section 4.0 in the Fiscal Consultant's Report in Appendix D.

The largest assessee in the Merged Project Area shown in Table 4 above, Legacy Partners, through two related entities, owns the Legacy Marina Village development and the Alameda Center Development, each located in the WECIP Project Area. The Legacy Marina Village development includes 1,110,081 square feet of office and office-tech space in 34 buildings. The Alameda Center Development includes 155,000 square feet of office/research and development space in 4 buildings. For more information regarding Legacy Partners, including the Legacy Marina Village, the Alameda Center, and other projects in which it is involved, see the company's website at www.legacypartners.com. Such website is in no way incorporated into this Official Statement and the Authority has no responsibility whatsoever with respect to it.

As discussed under "THE MERGED PROJECT AREA—Redevelopment Plan Limitations," after July 5, 2036 only Housing Tax Increment Revenues arising from property in the BWIP Project Area will be available to pay the debt service on the Bonds. Some of the entities listed in Table 4 above have property that is only located in the WECIP Project Area. See Tables 2.1 and 2.2 in the Fiscal Consultant's Report in Appendix D for tables showing the ten largest taxpayers in each of the BWIP Project Area and the WECIP Project Area, respectively.

Annual Tax Receipts to Tax Levy

Tax increment revenues are allocated to the Agency by the County of Alameda based upon allocation formulas implemented under the County's Teeter Plan. As shown in the Fiscal Consultant's Report, each of the five past fiscal years the Agency has received 100% of its share of the computed total tax levy consistent with County policy. See Table 6 in APPENDIX D—FISCAL CONSULTANT'S REPORT for information regarding historical receipts to the computed secured tax levy for the five most recent fiscal years.

Appeals of Assessed Values

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board (the "Appeals Board"). After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor or the Appeals Board may set its own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which application is made and during which the written application was filed. After a reduction is allowed, the property is reviewed on an annual basis to determine its full cash value and the valuation may be adjusted accordingly. This may result in further reductions or increases in value. Such increases are in accordance with the actual cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it is once again subject to the annual inflationary growth rate allowed under Article XIII A.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively after that. The "base year" is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

The Fiscal Consultant's Report in Appendix D notes that seven of the top ten assesses in the Merged Project Area have filed appeals of their assessed values which, if successful, could decrease the Housing Tax Increment Revenues pledged to the repayment of the Bonds. While the total assessed value reduction requested by the top seven assesses aggregates \$166,296,701 (or approximately 9.5% of the aggregate fiscal year 2010-11 assessed value for the Merged Project Area), the Fiscal Consultant has projected that the appeals will only result in a \$47,034,713 reduction in assessed value (or approximately 2.7% of the aggregate fiscal year 2010-11 assessed value for the Merged Project Area). See Sections 3.5 and 4.0 of, and Table 2 in, the Fiscal Consultant's Report in Appendix D.

Proposition 13 Inflationary Adjustments

Article XIII A of the California Constitution (referred to below as "Proposition 13") and State Board of Equalization ("SBE") Rule 460, subdivision (b)(5) provide that "the full value of real property shall be modified to reflect the percentage change in cost of living ... provided that such value shall not reflect an increase in excess of 2 percent of the taxable value of the preceding lien date." The California Consumer Price Index ("CCPI") establishes the inflation rate used to determine the "percentage change in cost of living." This annual inflationary rate is determined by the SBE and is based on the statewide consumer price index for the previous year (October to October). In most years, the CCPI has exceeded 2 percent and has been reflected in the 2% Proposition 13 limitation on upward valuation adjustments (described under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES—Property Tax Limitations – Article XIII A"). Since 1978, there have been seven occurrences when the inflationary adjustment rate was less than 2%; fiscal years 1983-84, 1995-96, 1996-97, 1999-00, 2004-05, 2010-11 and 2011-12. The inflationary adjustments for these fiscal years were 1.000%, 1.194%, 1.115%, 1.853%, 1.867%, -0.237% and 0.753%, respectively.

Until Fiscal Year 2010-11, in more than 30 years since the passage of Proposition 13, the annual inflationary adjustment has never resulted in a reduction to the prior year assessed valuation calculated from the Proposition 13 base year values adjusted for the CCPI annual inflationary rate. However, the California State Board of Equalization announced that the CCPI inflation factor for Fiscal Year 2010-11 is -0.237% (referred to as a "deflation factor"). The blanket application of the deflation factor will apply to all properties in the Merged Project Area, will impact the assessed value growth rate of properties that are not sold or newly constructed, and will reduce the amount of property taxes received by the Agency. The Fiscal Year 2010-11 assessed valuation for the Merged Project Area, as reported by the County Auditor-Controller, reflects the -0.237% "deflation factor." The Fiscal Consultant has taken into account the reported Fiscal Year 2011-12 inflation factor of 0.753% in projecting the Fiscal Year 2011-12 Merged Project Area assessed values in the Fiscal Consultant's Report and included in this Official Statement.

Proposition 8 Reassessments

In addition to reductions in assessed valuations in the Merged Project Area due to appeals and inflationary adjustments, the County Assessor also may reduce assessed values pursuant to Section 51 of the California Revenue and Taxation Code (referred to as "Proposition 8" reductions). This code section requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Increases reflect the actual full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Section 3.3 in the Fiscal Consultant's Report in Appendix D entitled "Proactive Review by Assessor for Declines in Market Value" contains information regarding Proposition 8 reductions for properties located throughout the County. The Fiscal Consultant reports that

the 2010-11 assessment roll prepared by the County Assessor reflects a proactive review of assessed values County-wide relative to market with resulting reductions to assessed value under Proposition 8; and that on a County-wide basis, the 2010-11 roll reflects a downward adjustment to approximately 22% of parcels in the County due to a general decline in market value. The County has indicated plans to conduct a similar County-wide review in preparing the 2011-12 roll.

The Fiscal Consultant reports that for 2010-11, the City assessment roll reflects an aggregate \$496 million in Proposition 8 reductions across 3,899 parcels. The vast majority of these Proposition 8 reductions are for residential properties. For non-residential uses, Proposition 8 reductions were limited to 45 parcels representing an aggregate downward adjustment of \$32 million. County database information enabling these reductions to be allocated to parcels in the Merged Project Area was not available to the Fiscal Consultant; however, the Fiscal Consultant notes that approximately 19% of the assessed valuation of the City is within the Merged Project Area. See the table in Section 3.3 of the Fiscal Consultant's Report in Appendix D for historic Proposition 8 adjustments relative to parcels in the City for the last 3 Fiscal Years.

BWIP Project Area Pass-Through Payments

See Section 6.1 in the Fiscal Consultant's Report in Appendix D for a discussion of certain statutory pass-through obligations of the Agency related to the Original BWIP Project Area. The calculations and projections by the Fiscal Consultant of Housing Tax Increment Revenues in the Fiscal Consultant's Report and in this Official Statement are net of any such pass-through obligations of the Agency. There are no statutory pass-through obligations of the Agency with respect to the Exchange Area or the WECIP Project Area that affect the calculation of or which are payable from Housing Tax Increment Revenues.

Tax Revenue Projections and Debt Service Coverage

The following table is derived from Table 7.0 in the Fiscal Consultant's Report (the complete text of which is in Appendix D), and depicts the projected Housing Tax Increment Revenues available to pay debt service on the Bonds, as estimated by the Fiscal Consultant, based upon the assumptions described in the Fiscal Consultant's Report, some of which are described in the footnotes to the Table.

TABLE 5
MERGED PROJECT AREAS
PROJECTION OF TAX INCREMENT REVENUES
(in thousands)

Fiscal Year	Real ⁽¹⁾ Property	Personal ⁽²⁾ Property	Total Assessed Value	Assessed Value Over Base ⁽³⁾	Gross Tax ⁽⁴⁾ Increment	SBE Unitary Revenue	Senior Liens			Pledged Housing	Subordinate AUSD ⁽⁹⁾ Payment	Net Housing Tax Revenues
							Section ⁽⁵⁾ 33676	Total Housing ⁽⁶⁾ Set-Aside	Senior Debt ⁽⁷⁾	Tax Increment Revenues ⁽⁸⁾		
2010-2011	\$1,466,764	\$266,309	\$1,733,073	\$1,426,440	\$ 14,264	\$ 40	\$ (502)	\$ 2,761	\$ (438)	\$ 2,323	\$ (438)	\$ 1,884
2011-2012	1,387,897	249,896	1,637,793	1,331,160	13,312	40	(533)	2,564	(430)	2,134	(403)	1,730
2012-2013	1,415,655	249,896	1,665,551	1,358,918	13,589	40	(564)	2,613	(198)	2,416	(412)	2,003
2013-2014	1,443,968	249,896	1,693,864	1,387,231	13,872	40	(596)	2,663	(198)	2,465	(422)	2,043
2014-2015	1,472,847	249,896	1,722,743	1,416,110	14,161	40	(628)	2,715	(198)	2,517	(431)	2,086
2015-2016	1,502,304	249,896	1,752,200	1,445,567	14,456	40	(662)	2,767	(197)	2,570	(441)	2,129
2016-2017	1,532,350	249,896	1,782,246	1,475,613	14,756	40	(695)	2,820	(196)	2,624	(450)	2,174
2017-2018	1,562,997	249,896	1,812,893	1,506,260	15,063	40	(730)	2,875	(197)	2,678	(460)	2,218
2018-2019	1,594,257	249,896	1,844,153	1,537,520	15,375	40	(765)	2,930	(197)	2,733	(471)	2,263
2019-2020	1,626,142	249,896	1,876,038	1,569,405	15,694	40	(801)	2,987	(196)	2,791	(481)	2,310
2020-2021	1,658,665	249,896	1,908,561	1,601,928	16,019	40	(838)	3,044	(195)	2,849	(491)	2,358
2021-2022	1,691,838	249,896	1,941,734	1,635,101	16,351	40	(875)	3,103	(195)	2,908	(502)	2,406
2022-2023	1,725,675	249,896	1,975,571	1,668,938	16,689	40	(913)	3,163	(194)	2,969	(513)	2,456
2023-2024	1,760,188	249,896	2,010,085	1,703,452	17,035	40	(952)	3,224	(195)	3,030	(525)	2,505
2024-2025	1,795,392	249,896	2,045,289	1,738,656	17,387	40	(992)	3,287	(194)	3,093	(536)	2,557
2025-2026	1,831,300	249,896	2,081,196	1,774,563	17,746	40	(1,033)	3,351	(193)	3,157	(548)	2,609
2026-2027	1,867,926	249,896	2,117,822	1,811,189	18,112	40	(1,074)	3,416	(192)	3,224	(560)	2,664
2027-2028	1,905,285	249,896	2,155,181	1,848,548	18,485	40	(1,116)	3,482	(192)	3,290	(572)	2,718
2028-2029	1,943,390	249,896	2,193,287	1,886,654	18,867	40	(1,159)	3,550	(192)	3,358	(584)	2,774
2029-2030	1,982,258	249,896	2,232,154	1,925,521	19,255	40	(1,203)	3,618	(191)	3,428	(597)	2,831
2030-2031	2,021,903	249,896	2,271,800	1,965,167	19,652	40	(1,247)	3,689	(190)	3,499	(610)	2,889
2031-2032	2,062,341	249,896	2,312,238	2,005,605	20,056	40	(1,293)	3,761	(191)	3,570	(623)	2,947
2032-2033	2,103,588	249,896	2,353,484	2,046,851	20,469	40	(1,340)	3,834	0	3,834	(636)	3,197
2033-2034	2,145,660	249,896	2,395,556	2,088,923	20,889	40	(1,387)	3,908	0	3,908	(650)	3,258
2034-2035	2,188,573	249,896	2,438,469	2,131,836	21,318	40	(1,435)	3,985	0	3,985	(664)	3,320
2035-2036 ⁽¹⁰⁾	2,232,345	249,896	2,482,241	2,175,608	21,756	40	(1,485)	4,062	0	4,062	(678)	3,384
2036-2037	1,704,782	128,336	1,833,117	1,540,246	15,402	8	(1,535)	2,775	0	2,775	(693)	2,082
2037-2038	1,738,877	128,336	1,867,213	1,574,342	15,743	8	(1,587)	2,833	0	2,833	(708)	2,125
2038-2039	1,773,655	128,336	1,901,990	1,609,119	16,091	8	(1,639)	2,892	0	2,892	(723)	2,169
2039-2040	1,809,128	128,336	1,937,463	1,644,593	16,446	8	(1,692)	2,952	0	2,952	(738)	2,214
2040-2041	1,845,310	128,336	1,973,646	1,680,775	16,808	8	(1,747)	3,014	0	3,014	(754)	2,260
2041-2042	1,882,217	128,336	2,010,552	1,717,681	16,801	8	(1,802)	3,001	0	3,001	(740)	2,261
Cumulative Total					\$541,919	\$1,088	\$(34,820)	\$101,639	\$(4,759)	\$96,882	\$(18,054)	\$78,824

Source: Table 7.0 in Fiscal Consultant's Report in Appendix D.

- (1) Based upon maximum inflationary growth of 2%, except in Fiscal Year 2011-12 which is based on reported factor of 0.75%. See "THE MERGED PROJECT AREA—Proposition 13 Inflationary Adjustments."
- (2) Includes the value of secured and unsecured personal property.
- (3) Base year valuation of \$306,633 through Fiscal Year 2035-36, and \$292,871 for Fiscal Years 2036-37 through 2041-42. Reduction due to termination of WECIP Project Area tax increment revenues. See "THE MERGED PROJECT AREA — Redevelopment Plan Limitations."
- (4) Based on the application of 1% tax rate to incremental taxable value. Does not include voter approved over-ride levies.
- (5) Allocations per former Section 33676 of the Redevelopment Law.
- (6) Based on 20 percent of total of: Gross Tax Increment and SBE Unitary Revenue, less Section 33676 deduction.
- (7) Consists of 100% of 2003 Series D Bonds scheduled debt service and 15.85% of 2003 Series C Bonds scheduled debt service, based on respective portion of proceeds attributable to housing. See "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area – Senior Debt."
- (8) Projection assumes Agency files a statement of indebtedness each year resulting in collection of 100% of gross tax increment that is available to be allocated. Housing set-aside revenues generated by the Alameda Landing Property are not included in pledged Housing Tax Increment Revenues. See "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area."
- (9) For a discussion regarding the AUSD Agreement, see "SECURITY FOR THE BONDS—Housing Tax Increment Revenues – Housing Set-Aside Amounts."
- (10) Tax increment revenues after this Fiscal Year will only be receivable from property in the BWIP Project Area. See "THE MERGED PROJECT AREA—Redevelopment Plan Limitations."

Receipt of projected Housing Tax Increment Revenues in the amounts and at the times projected by the Fiscal Consultant depends on the realization of certain assumptions relating to the net tax increment revenues. Although the Agency believes that the assumptions utilized by the Fiscal Consultant are reasonable, the Agency provides no assurance that the projected Housing Tax Increment Revenues will be realized. To the extent that the assumptions are not

actually realized, the Agency's ability to timely pay principal and interest on the Bonds may be adversely affected.

The following table sets forth the projected Housing Tax Increment Revenues and debt service coverage, for the stated term of the Bonds.

TABLE 6
MERGED PROJECT AREA
PROJECTION OF TAX REVENUES, DEBT SERVICE AND DEBT SERVICE COVERAGE
(in thousands)

Fiscal Year	Total Housing Set-Aside ⁽¹⁾	2003 Series C and D Bonds Debt Service ⁽²⁾	2011 Bonds Debt Service ⁽³⁾	Total Senior Debt and Bonds Debt Service	Debt Service Coverage ⁽⁴⁾
2010-2011	\$2,761	\$(438)	\$ (546)	\$ (984)	281%
2011-2012	2,564	(430)	(880)	(1,310)	196
2012-2013	2,613	(198)	(880)	(1,078)	242
2013-2014	2,663	(198)	(880)	(1,078)	247
2014-2015	2,715	(198)	(880)	(1,078)	252
2015-2016	2,767	(197)	(880)	(1,077)	257
2016-2017	2,820	(196)	(880)	(1,076)	262
2017-2018	2,875	(197)	(880)	(1,077)	267
2018-2019	2,930	(197)	(880)	(1,077)	272
2019-2020	2,987	(196)	(920)	(1,116)	268
2020-2021	3,044	(195)	(948)	(1,143)	266
2021-2022	3,103	(195)	(974)	(1,169)	265
2022-2023	3,163	(194)	(1,003)	(1,197)	264
2023-2024	3,224	(195)	(1,035)	(1,230)	262
2024-2025	3,287	(194)	(1,065)	(1,259)	261
2025-2026	3,351	(193)	(1,098)	(1,291)	260
2026-2027	3,416	(192)	(1,128)	(1,320)	259
2027-2028	3,482	(192)	(1,163)	(1,355)	257
2028-2029	3,550	(192)	(1,193)	(1,385)	256
2029-2030	3,618	(191)	(1,228)	(1,419)	255
2030-2031	3,689	(190)	(1,262)	(1,452)	254
2031-2032	3,761	(191)	(1,300)	(1,491)	252
2032-2033	3,834	0	(1,529)	(1,529)	251
2033-2034	3,908	0	(1,564)	(1,564)	250
2034-2035	3,985	0	(1,604)	(1,604)	248
2035-2036	4,062	0	(1,639)	(1,639)	248
2036-2037	2,775	0	(577)	(577)	481
2037-2038	2,833	0	(595)	(595)	476
2038-2039	2,892	0	(619)	(619)	467
2039-2040	2,952	0	(644)	(644)	459
2040-2041	3,014	0	(667)	(667)	452
2041-2042	3,001	0	0	0	

Source: Piper Jaffray & Co.

(1) Estimated, from Table 5 above.

(2) See "SECURITY FOR THE BONDS—Senior Indebtedness; Excluded Area – Senior Debt." Reflects scheduled debt service on the Senior Debt for the twelve month period that commences on the February 1st occurring during the related Fiscal Year that is payable from Housing Tax Increment Revenues.

(3) Reflects scheduled debt service on the 2011 Bonds for the Bond Year that commences during the related Fiscal Year. See "DEBT SERVICE SCHEDULE."

(4) Projected Total Housing Set-Aside divided by Total Senior Debt and Bonds Debt Service.

No assurances are provided by the Agency as to the certainty of the projected Housing Tax Increment Revenues shown on the foregoing table. Actual revenues may be higher or lower than what has been projected and are subject to valuation changes resulting from new

developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

BONDOWNERS' RISKS

The following discussion of certain risk factors is not intended to be a complete list of the risks associated with the purchase of the Bonds and does not purport to reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review the other information in this Official Statement in evaluating an investment in the Bonds. In addition, there can be no assurance that other risk factors will not become material in the future.

Limited Obligations

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY PAYABLE SOLELY FROM THE TAX INCREMENT REVENUES, AS DESCRIBED HEREIN, AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS MAINTAINED UNDER THE INDENTURE, AND ARE NOT A DEBT OF THE AUTHORITY, THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE AGENCY, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), AND NONE OF THE AUTHORITY, THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AGENCY), IS LIABLE THEREFOR. THE BONDS ARE NOT PAYABLE FROM, AND ARE NOT SECURED BY, ANY FUNDS OF THE AGENCY, OTHER THAN THE TAX INCREMENT REVENUES AND OTHER MONEYS EXPRESSLY PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NEITHER THE MEMBERS OF THE GOVERNING BOARD OF THE AGENCY NOR ANY PERSONS RESPONSIBLE FOR THE EXECUTION OF THE BONDS ARE LIABLE PERSONALLY FOR PAYMENT OF THE BONDS.

Accuracy of Assumptions

The Fiscal Consultant has made certain assumptions with regard to the availability of tax increment revenues to estimate the total Housing Tax Increment Revenues available to pay debt service on the Bonds. The Agency believes these assumptions to be reasonable, but to the extent the Housing Tax Increment Revenues are less than anticipated, including for any of the reasons described herein, the Housing Tax Increment Revenues available to pay debt service on the Bonds may be less than those projected herein and in the Fiscal Consultant's Report.

Reduction in Assessed Value

Housing Tax Increment Revenues allocated to the Agency and available for payment of debt service on the Bonds are determined in part by the amount by which the assessed valuation of property in the Merged Project Area exceeds the respective base year assessed valuation for such property, and by the current rate at which property in the Merged Project Area is taxed. The Agency itself has no taxing power with respect to property, nor does it have the authority to affect the rate at which property is taxed. While substantial growth has occurred in the Redevelopment Project in prior years, recently property values in general have declined (see "THE MERGED PROJECT AREA—Proposition 8 Reassessments") and there may be future negative adjustments to assessed values due to inflationary factors (see "THE MERGED PROJECT AREA—Proposition 13 Inflationary Adjustments"). These factors could cause a reduction of the assessed valuation of taxable property in the Merged Project Area.

Economic or other factors beyond the Agency's control, such as a downturn in the local economy, relocation out of the Merged Project Area by one or more major property owners or sale of property to a non-profit corporation exempt from property taxation, successful appeals by property owners for a reduction in a property's assessed valuation, a reduction of the general inflationary rate, a reduction in transfers of property or construction activity, or the destruction of property caused by natural or other disasters, or other events that permit reassessment of property at lower values could also cause a reduction in the assessed valuation of taxable property in the Merged Project Area which could result in a reduction of tax increment revenues. In addition, substantial delinquencies in the payment of property taxes by the owners of taxable property within the Merged Project Area, could impair the timely receipt by the Agency of Housing Tax Increment Revenues. See "BONDOWNERS RISKS'—Property Tax Payment Delinquencies," "BONDOWNERS RISKS'—Reduction in Inflationary Rate" and "BONDOWNERS RISKS'—Risk of Earthquake or Other Disaster" herein. Further, the State electorate or legislature could adopt further limitations with the effect of reducing Housing Tax Increment Revenues.

Tax increment payments are also adjusted by refunds due to successful assessment appeals. See "THE MERGED PROJECT AREA—Appeals of Assessed Values" herein. Other events that are beyond the control of the Agency could occur and cause a reduction in Housing Tax Increment Revenues, thereby impairing the ability of the Agency to make payments of principal and interest and premium (if any) when due on the Bonds on a timely basis.

Concentration of Ownership

The top ten largest taxpayers in the Merged Project Area account for approximately 25% of the total assessed value (and approximately 31% of the incremental increase in assessed value over the base year values) of the Merged Project Area for fiscal year 2010-11. See Table 3 under the heading "THE MERGED PROJECT AREA—Assessed Valuation" herein. Also, as noted under the heading "THE MERGED PROJECT AREA—Appeals of Assessed Values" seven of the top ten largest taxpayers have filed appeals of their assessed values requesting an aggregate reduction of approximately 9.5% of the aggregate Fiscal Year 2010-11 assessed value for the Merged Project Area. Concentration of ownership presents a risk in that if one or more of the largest property owners were to relocate their business out of the Merged Project Area, or were to default in the payment of their property taxes, or were to successfully appeal the tax assessments on property within the Merged Project Area, a substantial decline in Housing Tax Increment Revenues could result.

Reduction in Inflationary Rate

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 herein). This measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Housing Tax Increment Revenues. See "THE MERGED PROJECT AREA—Proposition 13 Inflationary Adjustments" for a discussion of a decrease in assessed values due to a negative inflationary adjustment for Fiscal Year 2010-11. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES—Property Tax Limitations - Article XIII A."

Real Estate and General Economic Risks

The general economy of the area in and surrounding the Merged Project Area is subject to all the risks generally associated with real estate and real estate development. Projected redevelopment of real property within and around the Merged Project Area by the Agency and private development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within and around the Merged Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control certain kinds of development. If development and redevelopment activities in the Merged Project Area encounter significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Merged Project Area could be adversely affected, causing reduction of the Housing Tax Increment Revenues. In addition, if there is a decline in the general economy of the region, the City or the Merged Project Area, the owners of property within the Merged Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of tax revenues received by the Agency from the Merged Project Area.

Assessment Appeals

Property taxable values may be reduced as a result of a successful appeal of the taxable value of property determined by the County Assessor. An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. An assessee may contest either (i) the original determination of the "base assessment value" of a parcel (i.e., the value assigned after a change of ownership or completion of new construction), or (ii) the "current assessment value" (i.e., the value as determined by the County Assessor, which may be no more than the base assessment value plus the compounded 2% annual inflation factor) when specified factors have caused the market value of the parcel to drop below current assessment value. At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sales transaction or the recently completed improvement. A successful appeal of the base assessment value of a parcel has significant future revenue impacts, because a reduced base year assessment will reduce the compounded future value of the taxable value of the property prospectively. Except for the two percent inflation factor, the value of the property cannot be increased until a change in ownership occurs or additional improvements are added. Reductions in taxable values in the Merged Project Area resulting from successful appeals by property owners will reduce the amount of Housing Tax Increment Revenues available to pay the principal of and interest on the Bonds.

The County Assessor's Office has proactively reduced assessed values for thousands of parcels in the County. See "THE MERGED PROJECT AREA—Proposition 8 Reassessments." No assurance can be given that there will not be additional actions by the County Assessor to reduce assessed value of parcels in the County, some of which may be in the Merged Project Area, or that there will not be property owner assessment appeals for parcels in the Merged Project Area. Reductions in taxable values in the Merged Project Area resulting from successful appeals by property owners and Proposition 8 reductions will reduce the amount of Housing Tax Increment Revenues available to pay the principal of and interest on the Bonds.

Investment of Housing Tax Increment Revenues and Other Funds

Housing Tax Increment Revenues from the County are deposited in the City's pooled investment fund prior to their transfer to the Trustee for deposit by the Trustee in the accounts within the Debt Service Fund established under the Indenture. Under the Indenture, moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account must be invested by the Trustee in Permitted Investments (as defined in the Indenture), and moneys in the Pledged Housing Set-Aside Fund and the Housing Projects Fund may be invested by the Agency in any lawful investment for Agency funds. See APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions.

Certain Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Agency may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. A delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full.

Risk of Earthquake or Other Disaster

The State, including the City, is subject to periodic earthquake activity. The land in the Merged Project Area also is subject to flood and tsunami risk. If an earthquake, tsunami or other disaster were to substantially damage or destroy taxable property within the Merged Project Area, the assessed valuation of such property could be reduced. There is no assurance that property owners within the Merged Project Area maintain earthquake, disaster or flood insurance or that any such insurance would be sufficient in the event of an earthquake, tsunami or other disaster. Further, there is no assurance that federal, State or other emergency funds will be provided or would be sufficient for reconstruction in the Merged Project Area in the event of an earthquake, tsunami or other disaster. A reduction of assessed valuations in the Merged Project Area could result in a reduction of Housing Tax Increment Revenues, which could impair the ability of the Agency to make payments of principal of and interest on the Bonds when due.

Hazardous Substances

Owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws. In addition, California laws impose particular requirements with regard to hazardous substances. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substances condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities

may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal ability of a property owner or operator in the Merged Project Area to develop the affected property or other adjacent property and the value of such property.

Property Tax Payment Delinquencies

Delinquencies in the payment of tax bills recently have increased throughout California. While the Agency expects to receive one hundred percent (100%) of its share of the computed total tax levy due to the County's current Teeter Plan policy (see "THE MERGED PROJECT AREA—Annual Tax Receipts to Tax Levy"), there is no guaranty that the County will continue to apply the Teeter Plan and that the Agency will continue to receive property tax payments despite delinquencies in the Merged Project Area in the future. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES—Property Tax Collection Procedures" herein. Further, if the Teeter Plan is terminated by the County, a significant increase in delinquencies could result in a reduction of Housing Tax Increment Revenues, which could impair the ability of the Agency to make payments of principal of and interest on the Bonds when due.

Change in Law

No assurance can be given that the State electorate will not adopt initiatives or that the Legislature will not enact legislation that will amend the Constitution of the State, the Redevelopment Law or other laws in a manner that results in a reduction of Housing Tax Increment Revenues that could adversely affect the Agency's ability to make debt service payments on the Bonds. In addition, tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, rulings or litigation.

Additional Obligations

As described in "SECURITY FOR THE BONDS—Issuance of Parity Debt," the Agency's pledge of Housing Tax Increment Revenues to payment of debt service on the Bonds will be on a parity with the Agency's pledge of Housing Tax Increment Revenues with respect to the payment of any Parity Debt. The potential for the issuance of Parity Debt increases the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Housing Tax Increment Revenues.

Proposition 8 Adjustments

Proposition 8, approved in 1978 (section 51(b) of the California Revenue and Taxation Code), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed on a following lien date up to the lower of the then current fair market value or the factored base year value. Properties in the County, which includes properties in the Merged Project Area, have been subject to Proposition 8 adjustments made by the County Assessor. See "THE MERGED PROJECT AREA—Proposition 8 Reassessments."

Levy and Collection of Taxes

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Housing Tax Increment Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Agency's ability to make timely Bond payments. See "THE MERGED PROJECT AREA—Annual Tax Receipts to Tax Levy."

ERAF & SERAF Shifts

In connection with its approval of the budget for the State for the 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, and 2004-05 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. The Agency has made all of the foregoing ERAF payments as required by applicable law.

The State budgets for 2005-06, 2006-07 and 2007-08 had no new ERAF payment requirements. However, in connection with the State budget for Fiscal Year 2008-09, on September 30, 2008, the California Legislature enacted AB 1389. AB 1389 required a one-time shift of \$350 million from redevelopment agencies to their respective ERAF.

The validity of AB 1389 was challenged in litigation in the Superior Court for *Sacramento County, California Redevelopment Association et al v. Genest et al.*, Case No. 34-2008-00028334-CUWM-GDS ("CRA v. Genest"). This case alleged, among other things, that the duties of county auditors to deposit funds received from redevelopment agencies in County ERAFs are inconsistent with various state and federal constitutional provisions and are therefore unlawful and unenforceable. The lawsuit argued that the State raids of redevelopment funds to balance the State budget are unconstitutional, violating Article XVI, Section 16 of the California Constitution, which states that redevelopment funds can only be used to finance redevelopment projects. The lawsuit contended that taking redevelopment funds to balance the State's budget does not qualify as a constitutionally permitted use of tax increment. On April 30, 2009, the Sacramento Superior Court ruled in favor of the petitioners, holding that petitioners are entitled to declaratory and injunctive relieve invalidating and enjoining Health and Safety Code Section 33685 as provided for in AB 1389. The court stated that the "distribution of contributions by RDAs to their county ERAFs ... can be expected to regularly result in the use of RDA's tax increment revenues by schools and education programs unrelated to the RDA's redevelopment projects." A judgment was signed by the Sacramento Superior Court on May 7, 2009, forbidding any of the defendants from taking any actions to carry out or enforce any of the payment requirements in AB 1389. The State appealed the decision; however, on September 23, 2009, the State filed a notice of abandonment of its appeal with the Court, so that the Superior Court judgment became final and no longer subject to appeal on that date.

In connection with legislation related to the budget for the State for Fiscal Year 2009-10, on July 24, 2009 the State Legislature adopted AB 26, which was signed by the Governor and became law on July 28, 2009. AB 26 requires a \$1.7 billion one-year transfer, in the aggregate, from redevelopment agencies to their respective County Supplemental Educational Revenue

Augmentation Fund ("SERAF") in 2009-10, plus another \$350 million aggregate transfer in 2010-11. A SERAF is similar to an ERAF, except that there is an additional requirement for the SERAF (in response, in part, to the *CRA v. Genest* litigation) that moneys in the SERAFs must be used by school districts and county offices of education to serve pupils living in redevelopment areas or in housing supported by redevelopment agency funds. The method for calculating each redevelopment agency's payment and respective share of the 2009-10 and 2010-11 transfers is similar to that in prior ERAF legislation, except that instead of using the prior year's tax increment figures for the basis of calculation, AB 26 requires the calculation to use the tax increment figures from fiscal year 2006-07 with respect to the SERAF payment required for both 2009-10 and 2010-11. The Agency's 2009-10 SERAF payment for all of its project areas was \$4,431,444, and was paid by the Agency by the May 10, 2010 due date for such payment. The Agency's 2010-11 SERAF payment is \$912,356, and is due by May 10, 2011.

AB 26 provides that the Agency may suspend Housing Set-Aside contributions to its Low and Moderate Income Housing Fund for 2009-10 or borrow Housing Set-Aside funds in the Agency's Low and Moderate Income Housing Fund, in order to make the SERAF payments - provided the funds are repaid by June 30 of the Fiscal Year occurring 5 years after the Fiscal Year of the commencement of suspension or borrowing. The Agency made its 2009-10 SERAF payment by the May 10, 2010 deadline and expects to fund the entire amount of its 2010-11 SERAF payment by the May 10, 2011 deadline. The Agency used funds on hand and funds borrowed from the Low and Moderate Income Housing Fund for the BWIP Project Area to make the 2009-10 SERAF payment. The Agency expects to use the same sources of funds to make the 2010-11 SERAF payment.

AB 26 expressly provides that the obligation of any redevelopment agency to make the SERAF payments for fiscal years 2009-10 and 2010-11 shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code. Pursuant to AB 26, under a number of circumstances (e.g., failure to pay, or have paid on its behalf, any SERAF payment; failure to repay when due housing set-aside amounts borrowed or suspended, etc.), a sanction will be imposed on a redevelopment agency which would require the agency's annual housing set-aside amount to be increased from 20% of its gross tax increment to 25% of its gross tax increment, for the balance of the time the sanctioned redevelopment agency receives tax increment (the "Penalty Set-Aside Requirement").

On October 20, 2009, the California Redevelopment Association, the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit to challenge AB 26. The lawsuit asserted that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserted impairment of contract, and gift of public funds arguments. The issue of consistency with Proposition 1A was also raised. On May 4, 2010, the Superior Court issued an opinion upholding AB 26. On August 30, 2010, the plaintiffs filed an appeal of the trial court's ruling in the Third District Court of Appeal. The appeal seeks repayment of the fiscal year 2009-10 payment and a prohibition of the second payment. While the plaintiffs are hopeful that a decision will be rendered prior to the May 2011 date of SERAF payment, the Appellate Court can take up to eighteen months to make a ruling on the appeal. The Agency, along with the California Redevelopment Association and other California redevelopment agencies, believes that the SERAF is unconstitutional but cannot predict the outcome of the appeal.

There can be no assurance that the State Legislature will not require similar or other diversion of tax increment funds in future years to deal with its budget deficits, nor can there be any assurance that any obligation to make any future payments from tax increment funds will be made subordinate to a pledge of taxes to pay Bond debt service.

Proposition 22

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

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

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

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

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

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

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

Proposed 2011-12 State of California Budget and Redevelopment Agencies

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

Most notably for prospective owners of the Bonds, the Proposed Budget proposed disbanding redevelopment agencies and redirecting property tax increment from successor agencies.

Draft Legislation to Eliminate Redevelopment Agencies and Restrict Activities

Draft legislation implementing the Governor's Proposed Budget was released by the Department of Finance of the State on February 23, 2011 (the "draft legislation"). On March 3, 2011, after making certain revisions to the Governor's Proposed Budget, the Joint Budget Committee of the California Legislature voted six to four in favor of the Governor's Proposed Budget (as revised), which still includes the draft legislation. Since then, the draft legislation – in a revised form and introduced as SB 77 and AB 101 -- has been considered by both the Assembly and the Senate, respectively, but SB 77/AB 101 have not yet been adopted. The Agency can provide no assurances that SB 77/AB 101 will be enacted in their present form, in a different form, or at all. See "BONDOWNER'S RISKS—Alternative and Other Proposed Legislation Affecting Redevelopment Agencies" for a description of legislation that has been proposed as an alternative to SB77/AB101, and other proposed legislation affecting redevelopment agencies.

A brief summary of SB 77/AB 101 is set forth below, but investors are encouraged to read SB 77/AB 101 in their entirety. Copies of SB 77/AB 101 can be obtained from the following California Legislature internet address (this address is provided for the convenience of investors and the website is not incorporated in this Official Statement): <http://www.leginfo.ca.gov/bilinfo.html>.

SB 77/AB 101 are styled as urgency measures, which require a two-thirds vote of each house of the Legislature for passage; urgency legislation is effective immediately upon passage and upon the signature of the Governor. However, it is possible that, if SB 77/AB 101 are included as a part of a complete budget package passed by the Legislature, it could be passed with only majority vote approval and still become effective immediately. SB 77/AB 101 make it clear that their provisions would not be retroactive to the extent they would dissolve redevelopment agencies or prohibit the issuance of new indebtedness.

SB 77/AB 101 declare that it is the intent of the Legislature to do the following:

“(1) Bar existing redevelopment agencies from incurring new obligations, prior to their dissolution, that would divert any more money from core governmental functions and dissolve all existing redevelopment agencies effective July 1, 2011. It is further the intent of the Legislature that the greatest amount of funding be realized from these actions in order to provide additional funds for core governmental services.

(2) Allocate property tax revenues to successor agencies for making payments on indebtedness incurred by the redevelopment agency prior to its dissolution and allocate remaining balances in accordance with applicable constitutional and statutory provisions.

(3) Beginning July 1, 2012, allocate these funds according to the existing property tax allocation within each county, except for enterprise special districts, after reserving passthrough amounts, to make the funds available for cities, counties, special districts, and school and community college districts to provide core governmental services. As a result of these actions, it is estimated that, by the 2012-13 fiscal year, these local entities will receive \$1.9 billion per year in new resources to use for their core priorities.

(4) Require successor agencies to expeditiously wind down the affairs of the dissolved redevelopment agencies and to provide the successor agencies with limited authority that extends only to the extent needed to implement a winddown of redevelopment agency affairs."

SB 77/AB 101 would suspend immediately upon adoption a variety of Agency activities, including the issuance of bonds and the entering into of contracts, but would allow agencies to continue to make all scheduled payments for "enforceable obligations," which is a defined term that includes bonds. As described under "FINANCING PLAN," the Agency has entered into an Owner Participation Agreement obligating it to issue the 2011 Series A Bonds and use the proceeds thereof. No assurance can be given that the Owner Participation Agreement will constitute an "enforceable obligation" for purposes of SB 77/AB 101. Because SB 77/AB 101 purport to prohibit the Agency from entering into new contracts after the effective date of the draft legislation, it is not clear whether the Agency would be authorized to enter into new contracts, if the Owner Participation Agreement is unenforceable or is otherwise terminated, involving the expenditure of 2011 Series A Bond proceeds for housing projects after the effective date of SB 77/AB 101.

Thereafter, on July 1, 2011, SB 77/AB 101 would dissolve all redevelopment agencies and vest their remaining powers in successor agencies. Each successor agency would be governed by a new seven-member oversight board, which would consist of, among others, at least one member (and perhaps two) appointed by the county board of supervisors, a member selected by the largest special district (by property tax share), and two members selected to represent schools and community college districts. One member of the public would be appointed by the county board of supervisors and one member representing the employees of the former redevelopment agency would be appointed by the chair of the board of supervisors.

Again, because SB 77/AB 101 would prohibit the successor agency from entering into new contracts, it is not clear whether the successor agency would be authorized to enter into new contracts involving the expenditure of 2011 Series A Bond proceeds for housing projects, if the Owner Participation Agreement is unenforceable or is otherwise terminated, after the effective date of the draft legislation. In addition, SB 77/AB 101 would direct the State Controller to review and order the reversal of post-January 1, 2011 asset transfers, and would obligate the oversight board to direct the successor agency to terminate certain agreements between the dissolved redevelopment agency and any public entity in the same county.

Under SB 77/AB 101, the county or city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency or may designate its local housing authority to perform such functions.

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

and both the State Controller's office and the State Department of Finance and be posted on the successor agency Internet Web site.

SB 77/AB 101 provides as follows with respect to pledges that existed prior to the effective date of the legislation:

It is the intent of this part that all enforceable obligations that were entered into with a pledge of tax increment by the former redevelopment agencies shall continue to have the revenues in amounts equivalent to those that were pledged. Property taxes no longer available to dissolved redevelopment agencies, due to the operation of the act that added this part, are deemed property tax revenues within the meaning of subdivision (a) of Section 1 of Article XIII A of the California Constitution. Property tax revenues in amounts equivalent to those that were pledged to pay enforceable obligations are to be deposited into the Redevelopment Obligation Retirement Fund pursuant to the act adding this part. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, nor the stream of equivalent revenues available to make good on that pledge.

SB 77/AB 101 establishes a priority of allocation with respect to property tax increment that would have been allocated to each redevelopment agency without regard for existing priority relationships; these property taxes would be deposited in a Redevelopment Property Tax Trust Fund (to be administered by the county auditor-controller) and then, in fiscal year 2012-13 and following, first allocated to schools and community college districts in the amount that they would have received if the draft legislation had not been adopted into law, and, second, for payments listed in the Recognized Obligation Payment Schedule. For fiscal year 2011-12, SB 77/AB 101 provides for a system of grants by counties aggregating \$1.7 billion to a "Public Health and Safety Fund."

Finally, SB 77/AB 101, if adopted, would lengthen the statute of limitations (i) for the commencement of an action to review a determination or finding by a redevelopment agency or its legislative body, from 90 days to two years after the determination or finding, if such determination or finding is made after January 1, 2011, and (ii) for any action that is brought on or after January 1, 2011, to determine the validity of bonds issued by the redevelopment agency, from 60 days to two years after the date of the triggering event. Although the Agency does not believe there is any defect in the proceedings for the issuance of the Bonds that could give rise to a successful challenge and Bond Counsel is providing its opinion with respect to the Bonds as set forth in Appendix E to this Official Statement, there could be an increased risk of a legal challenge because the Agency is issuing the Bonds after January 1, 2011, and any such challenge could affect the market price of the Bonds on the secondary market.

Potential investors should be aware that both the Agency and the Underwriter have the right not to proceed with issuance of the Bonds if SB 77/AB 101 or something similar to SB 77/AB 101 is signed into law after the sale date for the Bonds and prior to the closing date for the Bonds.

There are a variety of ways in which SB 77/AB 101, if adopted, could impact the Agency and the Bonds, although the Agency is not able to predict the full variety or extent of these impacts, and the impacts will vary greatly depending on the final terms of SB 77/AB 101, if adopted:

- (i) SB 77/AB 101, if adopted, would impact the Agency's activities and programs generally and would reduce or eliminate its fund balances and staffing.

(ii) SB 77/AB 101, if adopted, could affect the Agency's compliance with and performance under existing contracts and obligations, including the Owner Participation Agreement described under "FINANCING PLAN." Subject to certain constitutional protections described below, SB 77/AB 101, if adopted, could affect the Agency's compliance with and performance under the terms of the Indenture and the Bonds, including the amount or availability of property tax revenue, tax increment revenues or Housing Tax Increment Revenues for the Bonds and other uses, the manner of application of Housing Tax Increment Revenues to debt service, flow of funds, use of 2011 Series A Bond proceeds to fund new projects (if the Owner Participation Agreement is terminated), compliance with covenants in the Indenture, continuing disclosure and other matters.

(iv) Most significantly, SB 77/AB 101-- if adopted and implemented in their proposed form -- would eliminate redevelopment agencies, redeploy tax increment revenues affecting redevelopment agencies, potentially eliminate the pledge of Housing Tax Increment Revenues, recharacterize tax increment revenue as property tax revenues and combine all former tax increment revenue into a single pool of revenues. These actions would almost certainly raise legal and practical issues, some of which may be subject to litigation and ultimate resolution in the courts, or subsequent legislative action, and could adversely impact the credit quality of the Bonds. These issues could affect the Agency and its compliance with the terms of the Indenture and the Bonds, and resolution of these issues could involve expense and delay or modification of certain of the rights of the Bondowners in ways the Agency cannot predict.

See "BONDOWNER'S RISKS—Alternative and Other Proposed Legislation Affecting Redevelopment Agencies" below for a description of certain alternatives to SB77/AB101 that have been advanced. The Agency is unable to predict if SB77/AB101 or any of such other legislation will be adopted in their current forms or at all.

Constitutional Protections

The Agency believes that constitutional protections against the impairment of contracts may prevent the proposed actions in SB 77/AB 101 from adversely affecting the validity of the Bonds and the Indenture or the Agency's pledge of Housing Tax Increment Revenues to secure the repayment of the Bonds.

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

The United States Supreme Court has declared in the context of a New Jersey law that would have retroactively repealed a 1962 statutory (but contractual) covenant that would have adversely impacted bondowners: "A governmental entity can always find a use for extra money, especially when taxes do not have to be raised. If a State could reduce its financial obligations whenever it wanted to spend the money for what it regarded as an important public purpose, the Contract Clause would provide no protection at all." See United States Trust Co. of New York v. New Jersey (1977) 431 U.S. 1, 25-26.

The Agency cannot predict the applicable scope of "contract clause" protections to the Bonds and the Indenture as they may ultimately be implemented in the face of legislation along the lines contemplated by the Proposed Budget and SB 77/AB 101. Efforts to protect the rights of the owners of the Bonds and to enforce the terms of the Indenture, if necessary, could involve expense and delay including with respect to the determination of the applicable scope of the "contract clause" provisions.

Future State Action

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

Information About the State Budget and the State

Information about the State budget and State spending is available at various State-maintained websites. None of such websites are in any way incorporated into this Official Statement, and the Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Alternative and Other Proposed Legislation Affecting Redevelopment Agencies

A bill has been introduced in the California legislature, SB286, that has been advanced as a potential alternative to the SB77/AB101 legislation described above. SB286 would (i) prohibit, until January 1, 2013, the adoption of any amendments to redevelopment plans; (ii) impose new requirements on redevelopment agencies with respect to implementation plans and certain evidentiary standards regarding findings of blight; (iii) expand existing prohibitions on redevelopment agency assistance to certain projects including those that involve certain vacant land, golf courses, racing venues, and certain stadiums and other sports facilities; (iv) require that the State Controller issue regulations with respect to certain redevelopment agency reporting obligations; (v) require the State Auditor to conduct audits of selected redevelopment agencies; and (vi) make several other changes to the Redevelopment Law.

The California Redevelopment Association has, in response to the Governor's proposal, prepared and released an alternative approach to redevelopment that supports the reform and repositioning of redevelopment in California, and allows redevelopment agencies to opt-in to contractual arrangements with the State of California to make voluntary contributions of revenue for up to ten (10) years to help balance the State budget.

Another bill has been introduced in the California legislature, SB450, that would amend various provisions of the Redevelopment Law related to housing activities of California redevelopment agencies. SB450 would: (i) provide a specific standard for expenditure of money from a redevelopment agency's low and moderate income housing fund on general

planning and administrative expenses expressed as a percentage of annual tax increment deposited in the low and moderate income housing fund; (ii) require cost accounting/allocation for staff salaries and office expenses paid from a redevelopment agency's low and moderate income housing fund; (iii) require that a redevelopment agency's annual report would need to list the percentage of money from its low and moderate income housing fund spent on general planning and administration over each of the previous five years and properties owned by the agency that were acquired with money from its low and moderate income housing fund; (iv) prohibit use of an agency's low and moderate income housing fund for land use planning unrelated to a specific affordable housing project, and lobbying; (v) reduce the period of time agencies can hold land acquired with money from an agency's low and moderate income housing fund without initiating development of affordable housing; and (vi) increase oversight and enforcement of agencies that fail to meet their low income housing obligations. The Agency does not believe that any of the provisions of SB450, as currently drafted, would materially adversely affect its financing plan related to the 2011 Bonds, or the Housing Tax Increment Revenues pledged to the repayment of the 2011 Bonds.

The Agency cannot predict if any of the foregoing legislation will be adopted in its present form, or at all.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the 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 in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the face amount of the Bonds.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAX REVENUES

Property Tax Limitations-Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the fiscal year 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 per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. See "THE MERGED PROJECT AREA—Proposition 13 Inflationary Adjustments" for a discussion of the negative impact that a recent "deflation factor" will have on future Housing Tax Increment Revenues.

The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in October 1986 by initiative which exempts any bonded

indebtedness approved by two-thirds (55% in certain instances) of the votes cast by the voters for the acquisition or improvement of real property from the one percent limitation.

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

Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Challenges to Article XIII A

There have been many challenges to Article XIII A of the California Constitution. Recently, the United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, 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.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A.

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." Secured and unsecured properties 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 unsecured property, but may become a lien on certain other property owned by the taxpayer.

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

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 declared in default 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 recorded in a "Power to Sell" status and 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.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to the roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Supplemental Assessments. Legislation enacted in 1983 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments 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 State supplemental assessments occur within the Redevelopment Project, the Housing Tax Increment Revenues for the Merged Project Area may increase.

Tax Collection Fees. In 1990, the State Legislature enacted Senate Bill 2557 (Chapter 466, Statutes of 1990) ("SB 2557") which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Two recent decisions have interpreted the provisions of SB 2557 and have upheld the inclusion of redevelopment agencies as a local government agency which must share the cost of property tax administration. The 1992 enactment of Senate Bill 1559 (Chapter 697) and the decision of the California Court of Appeal in *Arcadia Redevelopment Agency v. Ikemoto* have clarified that redevelopment agencies, such as the Agency, are to share in the cost of property

tax administration charged by most California counties, including the County. During fiscal years 2008-09 and 2009-10, the County withheld \$103,591 and \$123,002 respectively, from the Agency for such administrative costs with respect to the Merged Project Area.

Appropriations Limitations-Article XIII B

On November 6, 1979, California voters approved Proposition 4, the so-called 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.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor will such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law.

State Board of Equalization and Property Assessment Practices

September 10, 1998, the State Board of Equalization ("SBOE") approved revisions to its guidelines regarding the valuation of intangible business and commercial property for property tax purposes. The SBOE approved these revisions over the objections of the California Assessors Association ("CAA"), an organization representing all 58 County Assessors in California. The Agency is not able to predict whether the revised SBOE guidelines will cause any reductions in tax increment revenues and, hence, in the Housing Tax Increment Revenues.

Exclusion of Housing Tax Increment Revenues for General Obligation Bonds Debt Service

An initiative to amend the California Constitution entitled "Property Housing Tax Increment Revenues Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness.

The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness.

Proposition 218

On November 5, 1996, California voters approved Proposition 218-Voter Approval for Local Government Taxes-Limitation on Fees, Assessments, and Charges-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. Housing Tax Increment Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

AB 1290

In 1993, the California Legislature enacted Assembly Bill 1290 ("AB 1290") which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. See "THE MERGED PROJECT AREA—Redevelopment Plan Limitations."

AB 1389 Payments

On September 24, 2008, the State enacted a budget for Fiscal Year 2008-09 that includes, among other things, the provisions of a bill known as AB 1389. AB 1389 requires redevelopment agencies, under certain circumstances, to submit reports to the office of the county auditor in the county in which they are located. These reports are required to include calculations of the tax increment revenues that redevelopment agencies have received and payments that redevelopment agencies have made pursuant to pass-through agreements with taxing entities and statutory pass-through requirements. County auditors are required to review the reports and, if they concur, issue a finding of concurrence. The State Controller is required to review such reports and submit a report to the Legislative Analyst's Office and the Department of Finance identifying redevelopment agencies for which county auditors had not issued a finding of concurrence or are otherwise not in compliance with provisions of AB 1389. AB 1389 includes penalties for any redevelopment agency listed on the most recent State Controller's report, including a prohibition on issuing bonds or other obligations until the listed agency is removed from the State Controller's report.

The Agency filed the required reports with the County Auditor-Controller, and the Agency received notification from the Auditor-Controller at the County to the effect that the Auditor-Controller was in concurrence with the pass-through obligations on the Agency's AB 1389 report, and acknowledging that the Agency made payments to the applicable local education agencies based on the County's calculations and will pay the non-local agency education entities according to the Agency's calculations. In June of 2009, the State Controller's Office issued a report with respect to Fiscal Years 2003-04 through 2007-08 which included the Agency on the list of redevelopment agencies with respect to which the County Auditor had concurred with their reports for those Fiscal Years. The State Controller's Office has not yet issued a report with respect to Fiscal Year 2010-11.

Future Initiatives

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

Low and Moderate Income Housing

Sections 33334.2 and 33334.6 of the Redevelopment Law require redevelopment agencies to set aside not less than twenty percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the "Housing Set-Aside Requirement"). An agency can reduce the Housing Set-Aside Requirement if the agency annually makes certain findings, consistent with the General Plan Housing Element. These findings are that: (1) no need exists in the community to improve or increase the supply of low and moderate income housing; or, (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the Housing Element of the community's General Plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. The Agency has not made such findings in the past, and has covenanted in the Indenture not to make such findings in the future.

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for the Redevelopment Project by October 1 of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness, other than those payable from tax increment revenues required to be deposited to the Agency's Low and Moderate Income Housing Fund (collectively, the "Debt"), both over the life of the Debt and for the current fiscal year, (ii) the amount of "Available Revenue" as of the end of the previous fiscal year, and (iii) the statutory 20% Low and Moderate Income Housing Set-Aside requirement.

"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 Revenue include amounts held by the Agency and irrevocably pledged to the payment of Debt other than 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 of the Redevelopment Law provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such dispute if 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 its related contract or expenditures. 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 payments by that public agency with respect to a lease or bond issue.

CERTAIN LEGAL MATTERS

Legal Opinions

The legal opinion of Quint & Thimmig LLP, San Francisco, California, as Bond Counsel, approving the validity of the Bonds, will be made available to purchasers at the time of original delivery of the Bonds and the proposed form thereof appears in Appendix E hereto. Quint & Thimmig LLP, San Francisco, California, also is serving as Disclosure Counsel to the Agency for the Bonds. Certain legal matters will be passed upon for the Agency by the City Attorney of the City, in her capacity as General Counsel to the Agency. Certain legal matters will be passed upon for the Underwriter by McFarlin & Anderson LLP, Lake Forest, California, in its capacity as counsel to the Underwriter.

Enforceability of Remedies

The remedies available to the Trustee and to the registered owners of the Bonds upon an event of default under the Indenture and any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Bonds are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

RATING

Standard & Poor's Ratings Services ("S&P") has assigned its rating of "A-" to the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The Agency will covenant, pursuant to a continuing disclosure certificate (the "Continuing Disclosure Certificate") to be executed on the date of delivery of the Bonds, for the benefit of owners and beneficial owners of the Bonds, to provide a report (the "Annual Report") containing certain financial information and operating data related to the Agency and the Merged Project Area, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in the Form of Continuing Disclosure Certificate in Appendix F hereto. The covenants of the Agency in the Continuing Disclosure Certificate have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The Agency has substantially complied with its prior undertakings under the Rule.

ABSENCE OF LITIGATION

At the time the Bonds are delivered, an officer of the Agency will certify that, to such officer's knowledge, there is no litigation pending with respect to which the Agency has been served with process or know to be threatened against the Agency in any court or other tribunal of competent jurisdiction, State or federal, which seeks to enjoin or challenges the authority of the Agency to participate in the transactions contemplated by this Official Statement, the Bonds or the Indenture.

TAX MATTERS

2011 Series A Bonds

The interest on the 2011 Series A Bonds is not excluded from gross income for federal income tax purposes, and is subject to all applicable federal taxation.

In the opinion of Bond Counsel, however, interest on the 2011 Series A Bonds is exempt from California personal income taxes.

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

2011 Series B Bonds

Federal tax law contains a number of requirements and restrictions which apply to the 2011 Series B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of 2011 Series B Bond proceeds, and certain other matters. The Agency has covenanted to comply with all requirements that must be satisfied in order for the interest on the 2011 Series B Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2011 Series B Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2011 Series B Bonds.

Subject to the Agency's compliance with the above-referenced covenants, under existing law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the 2011 Series B Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations as described below. The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, such as interest on the 2011 Series B Bonds.

In rendering its opinion, Bond Counsel will rely upon certifications of the Agency and others with respect to certain material facts within their respective knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the 2011 Series B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2011 Series B Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the 2011 Series B Bonds is the price at which a substantial amount of such maturity of the 2011 Series B Bonds is first sold to the public. The Issue Price of a maturity of the 2011 Series B Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of 2011 Series B Bonds who dispose of 2011 Series B Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2011 Series B Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2011 Series B Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2011 Series B Bond is purchased at any time for a price that is less than the 2011 Series B Bond's stated principal amount at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a 2011 Series B Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2011 Series B Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a 2011 Series B Bond for a price that is less than its revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2011 Series B Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2011 Series B Bonds.

An investor may purchase a 2011 Series B Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the 2011 Series B Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the 2011 Series B Bond. Investors who purchase a 2011 Series B Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2011 Series B Bond's basis for purposes of computing gain or loss in connection with the sale, exchange or early retirement of the related 2011 Series B Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2011 Series B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the

2011 Series B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2011 Series B Bonds. If an audit is commenced, under current procedures the Service may treat the Agency as a taxpayer and the 2011 Series B Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2011 Series B Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the 2011 Series B Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2011 Series B Bond owner who fails to provide an accurate Form W 9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2011 Series B Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the 2011 Series B Bonds is exempt from personal income taxation imposed by the State.

Ownership of the 2011 Series B Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the 2011 Series B Bonds. Prospective purchasers of the 2011 Series B Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon issuance of the Bonds is set forth in Appendix E.

FISCAL CONSULTANT

The Agency has retained the firm of Keyser Marston Associates, Inc., San Francisco, California, to prepare a Fiscal Consultant's Report concerning the Merged Project Area. The full text of the Fiscal Consultant's Report is attached hereto as Appendix D.

FINANCIAL ADVISOR

The Agency has retained CSG Advisors Incorporated, San Francisco, California, as Financial Advisor for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Payment of the fees and expenses of the Financial Advisor is contingent upon the sale and issuance of the Bonds.

CSG Advisors Incorporated is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds are being purchased for reoffering by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has entered into an agreement with the Authority and the Agency pursuant to which the Authority has agreed to purchase the Bonds from the Agency, and to immediately resell the Bonds to the Underwriter, with the purchase price of the 2011 Series A Bonds being \$9,703,998.54 (representing the par amount of the 2011 Series A Bonds, less an original issue discount of \$104,481.75, and less an Underwriter's discount of \$61,519.71), and the purchase price of the 2011 Series B Bonds being \$1,136,088.17 (representing the par amount of the 2011 Series B Bonds, less an original issue discount of \$20,844.20, and less an Underwriter's discount of \$8,067.63). The agreement pursuant to which the Underwriter will purchase the Bonds provides that the Underwriter will purchase all of the Bonds if any of the Bonds are purchased.

The Underwriter intends to reoffer the Bonds to the public initially at the prices or yields set forth on the inside cover page of this Official Statement, which yield may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in reoffering the Bonds to the public. The Underwriter may reoffer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

The Underwriter has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, if applicable to the Bonds, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective purchasers of the Bonds. Quotations from, and summaries and explanations of, the Indenture and other documents and statutes contained herein do not purport to be complete, and reference is made to such documents, Indenture and statutes for full and complete statements of their provisions.

Unless otherwise noted, all information contained in this Official Statement pertaining to the Agency and the Merged Project Area has been furnished by the Agency. Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or owners of any of the Bonds.

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

COMMUNITY IMPROVEMENT
COMMISSION OF THE CITY OF
ALAMEDA



By: /s/ Lisa Goldman
Acting Executive Director

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture not otherwise summarized in the text of this Official Statement. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture in its entirety to which reference is made for the detailed provisions thereof. See "INTRODUCTION – Other Information" in the text of this Official Statement.

Definitions

The following terms have the following meanings when used in the Indenture:

"Additional Allowance" means, as of the date of calculation, the sum of the following:

(a) the amount of Housing Tax Increment Revenues which, as shown in the report of an Independent Redevelopment Consultant, are estimated to be receivable by the Agency in the next succeeding Fiscal Year as a result of increases in the assessed valuation of taxable property in the Merged Project Area due to construction which has been completed but has not yet been reflected on the tax roll; and

(b) the amount of Housing Tax Increment Revenues which, as shown in the report of an Independent Redevelopment Consultant, are estimated to be receivable by the Agency in the next succeeding Fiscal Year as a result of increases in the assessed valuation of taxable property in the Merged Project Area due to inflation at an assumed annual inflation rate equal to the lesser of (i) the annual rate of inflation for the preceding twelve-month period for which figures are available or (ii) two percent (2%), but only if the rate of inflation had increased by at least two percent (2%) in each of the preceding three Fiscal Years.

For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Merged Project Area in the next succeeding Fiscal Year is estimated to exceed the assessed valuation of taxable property in the Merged Project Area (as reported by the County Auditor-Controller) in the Fiscal Year in which such calculation is made.

"Agency" means the Community Improvement Commission of the City of Alameda, a public body, corporate and politic, duly organized and existing under the Redevelopment Law.

"Alameda Landing Property" means the real property described in Exhibit C to the Indenture.

"Alameda Point Improvement Project" means the community improvement project approved by the City Council of the City pursuant to Ordinance No. 2754 adopted on March 3, 1998.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year upon the maturity or mandatory Sinking Account redemption thereof.

“Authority” means the Alameda Public Financing Authority, a joint exercise of powers authority duly organized under the laws of the State.

“Bond Counsel” means (a) Quint & Thimmig LLP, 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 Tax Code.

“Bond Year” means any twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2011.

“Bonds” means, collectively, the 2011 Bonds and any Parity Debt.

“Business Day” means a day of the year (other than a Saturday or Sunday) on which banks in California or the state where the Office of the Trustee is located, are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“Business Inventory Tax Subvention” means all amounts payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State.

“BWIP Plan” means the Community Improvement Plan for the BWIP Project Area, approved by Ordinance No. 2559 enacted by the City Council of the City on June 18, 1991, together with any amendments to such plan approved in accordance with the Redevelopment Law.

“BWIP Project Area” means the Business and Waterfront Improvement Project area described in the BWIP Plan, together with the area known as the “Exchange Area” added to the Business and Waterfront Improvement Project area by reason of amendments to the BWIP Plan and the Community Improvement Plan for the Alameda Point Improvement Project.

“Certificate of the Agency” means a certificate in writing signed by the Chair, Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

“City” means the City of Alameda, California, a charter city and municipal corporation organized and existing under the laws of the State.

“Closing Date” means the date on which the 2011 Bonds are delivered by the Agency to the Original Purchaser.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Certificate relating to the 2011 Bonds, between the Agency and the Trustee, as dissemination agent, dated as of the Closing Date, 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 2011 Bonds, including but not limited to the fees and expenses of the Original Purchaser and any underwriter who purchases the 2011 Bonds from the Original Purchaser, printing expenses, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, acceptance fees, fees, charges and disbursements of attorneys, financial advisors, fiscal consultants, accounting firms, other

consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, rating agency fees, and any other cost, charge or fee in connection with the original issuance of the 2011 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, California, a county duly organized and existing under the Constitution and laws of the State.

“Debt Service Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Defeasance Securities” means any of the following, or any combination thereof: (a) cash; (b) non-callable Federal Securities (including State and Local Government Securities); (c) direct obligations of the United States of America which have been stripped by the Department of the Treasury of the United States of America; (d) CATS, TIGRS and similar securities; (d) interest component of obligations of the Resolution Funding Corp. (REFCORP), which have been stripped by request to the Federal Reserve Bank of New York; (e) pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P; provided, however, if the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or “AAA” rated pre-refunded municipals; and (f) 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: (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) obligations of the Federal Financing Bank; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) U.S. government guaranteed public housing notes and bonds; and (vii) project notes and local authority bonds of the U.S. Department of Housing and Urban Development.

“Escrow Agreement” means the Escrow Deposit and Trust Agreement, dated as of May 1, 2011, between the Agency and the Escrow Bank.

“Escrow Bank” means The Bank of New York Mellon Trust Company, N.A., successor to Bank of America National Association and Savings Association, in its capacity as Trustee for the 1992 Bonds.

“Event of Default” means any of the events described as such in Section 8.01 of the Indenture.

“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 Tax 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 Tax 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 Tax 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) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held, its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“Federal Securities” means: (a) any direct 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), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; (b) obligations of any agency or department of the United States of America which represent the full faith and credit of the United States of America or the timely payment of the principal of and interest on which are secured or guaranteed by the full faith and credit of the United States of America; and (c) any obligations issued by the State or any political subdivision thereof the payment of the principal of and interest and premium (if any) on which are fully secured by Federal Securities described in the preceding clauses (a) or (b).

“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 as its official fiscal year period pursuant to a Certificate of the Agency filed with the Trustee.

“Housing Projects Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Housing Tax Increment Revenues” means all taxes annually allocated and paid to the Agency with respect to the Merged 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, including 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, which are required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.2 or Section 33334.6 of the Redevelopment Law; but excluding (a) any such taxes arising from the Alameda Landing Property; (b) amounts required to be deposited to the District Housing Fund under and as such term is defined in the Agreement Between the Community Improvement Commission of the City of Alameda and the Alameda Unified School District Pursuant to Health and Safety Code Section 33401, dated November 12, 1991, but only to the extent that the Agency’s obligations thereunder have not been subordinated to the payment of debt service on the Bonds (as permitted by Section 10 of that agreement); and (c) any Business Inventory Tax Subvention.

“Indenture” means the Indenture of Trust by and between the Agency and the Trustee, as amended or supplemented from time to time pursuant to any Supplemental Indenture entered into pursuant to the provisions thereof.

“Independent Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by or acceptable to 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 or acceptable to the Agency and who, or each of whom: (a) is judged

by the Agency to have experience in matters relating to the collection of Housing Tax Increment 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 other than as the Original Purchaser; 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 the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, (at <http://emma.msrb.org>); 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 Request of the Agency delivered to the Trustee.

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

“Interest Payment Date” means September 1, 2011, and each March 1 and September 1 thereafter until the earlier of the redemption or maturity of the Bonds.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Bond Year, the sum of (a) the amount of interest payable on the Bonds in such Bond Year, assuming that principal of each thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the Bonds in such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments.

“Merged Project Area” means the merged BWIP Project Area and the WECIP Project Area, as such merger was completed pursuant to Ordinance Nos. 2896 and 2897 adopted by the City Council of the City on April 1, 2003.

“Minimum Rating” means, with respect to any Permitted Investment that requires a Minimum Rating, a long-term rating of “A” or better from S&P or a short-term rating which is in the highest general rating category of S&P, in any event determined without regard to any refinement or gradation of such rating by a numerical modifier, a plus or a minus sign, or otherwise.

“Moody’s” means Moody’s Investors Service of New York, New York, and its successors.

“1992 Bonds” means the Alameda Public Financing Authority 1992 Revenue Bonds, Series A (West End Community Improvement Project – Housing Increment Loan).

“1992 Loan Agreement” means the Loan Agreement, dated as of April 1, 1992, between the Authority and the Agency.

“Office” means the corporate trust office of the Trustee at the location identified in the Indenture, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, or at such other place or places as may be designated by the Trustee from time to time in written notice filed with the Agency.

"Original Purchaser" means the Authority, as original purchaser of the 2011 Bonds from the Agency.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of the disqualified Bonds section of the Indenture) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the defeasance provisions of the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency and authenticated by the Trustee pursuant hereto.

"Owner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means, collectively (a) any loans, bonds, notes, advances or indebtedness payable from Housing Tax Increment Revenues on a parity with the 2011 Bonds issued or incurred pursuant to and in accordance with the provisions of the Indenture, and (b) any Refunding Debt issued or incurred in accordance with the provisions of the Indenture.

"Parity Debt Instrument" means any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance and/or execution and delivery of any Parity Debt.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means any of the following, which at the time of investment are authorized investments under the City's Investment Policy as then in effect (the Trustee may conclusively rely on a representation of the Agency with respect thereto), but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

(b) Obligations issued by the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and other United States agency obligations with maturities of five years or less.

(c) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity.

(d) Commercial paper ranking of the highest letter and number rating by a nationally recognized statistical rating organization (NRSRO), and issued by a domestic corporation having assets in excess of \$500,000,000 and having an "A-1" or better rating on its long-term debentures as provided by a NRSRO. Maturity is not to exceed 180 days.

(e) Certificates of deposit and time deposits (including money market accounts) issued by nationally or state-chartered banks or state or federal savings and loan associations. Issuers must be rated A-1 for deposits by S&P, or P-1 for deposits by Moody's or comparably rated by a national rating agency.

(f) The Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies.

(g) Unsecured certificates of deposit and time deposits (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's and or certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated on the date of purchase A-1 or better by S&P, Moody's and Fitch.

(h) Money market funds which are rated in the highest rating category by S&P, including such funds for which the Trustee or an affiliate provides investment advice or other services.

(i) Any other lawful investment for Agency funds in accordance with the City's then investment policy.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan, if any, or imposed by the Redevelopment Law on (a) the aggregate principal amount of indebtedness payable from taxes which may be divided and allocated to the Agency with respect to the Merged Project Area pursuant to the Redevelopment Plan which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Agency with respect to the Merged Project Area pursuant to the Redevelopment Plan, and (c) the period of time for repaying indebtedness payable from taxes which may be divided and allocated to the Agency with respect to the Merged Project Area pursuant to the Redevelopment Plan.

"Pledged Housing Set-Aside Fund" means the fund by that name established and held by the Agency pursuant to the Indenture.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met at the time any such instrument is delivered to the Trustee: (a) the long-term credit rating or claims paying ability of such bank or insurance company is in one of the three highest rating categories by S&P or Moody's; (b) such letter of credit or surety bond has a term of at least twelve (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 pursuant to the Indenture; 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, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to 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 Law” means the 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.

“Redevelopment Plan” means, collectively, the BWIP Plan and the WECIP Plan.

“Redevelopment Project” means the undertaking of the Agency pursuant to the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Merged Project Area.

“Refunding Debt” means any loan, bond, note, advance or indebtedness the proceeds thereof are used to refund all or a portion of the 2011 Bonds or any Parity Debt (and to pay costs of issuance of and fund a reserve fund for such Refunding Debt), and the debt service due on such Refunding Debt in any Bond Year in which the Refunding Debt is Outstanding is not greater than the debt service due in such Bond Year on the portion of the 2011 Bonds or the Parity Debt, as applicable, refunded with the proceeds of such Refunding Debt.

“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 Accountant or 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 such person or firm to express an informed opinion with respect to the subject matter referred to in the Report.

“Request of the Agency” means a request in writing signed by the Chair, Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

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

“Reserve Requirement” means, as of the date of any calculation by the Agency, the least of (a) Maximum Annual Debt Service, (b) one hundred twenty-five percent (125%) of average Annual Debt Service, or (c) ten percent (10%) of the initial principal amount of the Bonds.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 15L, New York, New York 10041-0099, Attention: Call Notification Department, Fax-(212) 855-3274; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Agency may designate in a Request of the Agency delivered by the Agency to the Trustee.

“Senior Debt” means, collectively (a) the Community Improvement Commission of the City of Alameda Taxable Tax Allocation Refunding Bonds (Business and Waterfront Improvement Area), Series 2003D, and (b) 15.85% of the debt service due on any date on the Community Improvement Commission of the City of Alameda Tax Allocation Refunding Bonds (Business and Waterfront Improvement Area), Series 2003C. The foregoing bonds were issued and are outstanding under the Indenture of Trust, dated as of October 1, 2003, between the Agency and Union Bank, N.A. (formerly known as Union Bank of California, N.A.).

“Senior Refunding Debt” means any loan, bond, note, advance or indebtedness the proceeds thereof are used to refund all or a portion of the Senior Debt (and to pay costs of issuance of and fund a reserve fund for such Senior Refunding Debt), and the debt service payable from Housing Tax Increment Revenues due on such Senior Refunding Debt in any twelve month period commencing each February 1 in which the Senior Refunding Debt is outstanding is not greater than the debt service payable from Housing Tax Increment Revenues due in each such twelve month period on the portion of the Senior Debt refunded with the proceeds of such Senior Refunding Debt.

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

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc., New York, New York, and its successors.

“State” means the State of California.

“Subordinate Debt” means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (i) payable from, but not secured by a pledge of or lien upon, the Housing Tax Increment Revenues; or (ii) secured by a pledge of or lien upon the Housing Tax Increment Revenues which is subordinate to the pledge of and lien upon the Housing Tax Increment Revenues under the Indenture for the security of the Bonds.

“Supplemental Indenture” means any resolution, agreement or other instrument which amends, supplements or modifies the Indenture and which has been duly adopted or entered into by the Agency; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Code” means the Internal Revenue Code of 1986, as in effect on the date of issuance of the 2011 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2011 Bonds, together with applicable Tax Regulations.

“Tax-Exempt Bonds” means Bonds the interest on which is not intended to be included in the gross incomes of the owners thereof for federal income tax purposes, and includes the 2011 Series B Bonds and any Parity Debt or any series thereof issued under a Supplemental Indenture designated as “Tax-Exempt Bonds” in such Supplemental Indenture.

“Term Bonds” means, collectively (a) the 2011 Series A Bonds maturing on September 1, 2031, and September 1, 2041, (b) the 2011 Series B Bonds maturing on September 1, 2026, and (c) any maturity of Parity Debt which is subject to mandatory Sinking Account redemption pursuant to the Parity Debt Instrument authorizing the issuance thereof.

“Trustee” means Union Bank, N.A., as Trustee hereunder, or any successor thereto appointed as Trustee under the Indenture.

“2011 Bonds” means, collectively, the 2011 Series A Bonds and the 2011 Series B Bonds.

“2011 Series A Bonds” means the Community Improvement Commission of the City of Alameda 2011 Tax Allocation Housing Bonds, Subordinate Series A (Taxable) (Merged WECIP/BWIP Project Area) issued and Outstanding under the Indenture.

“2011 Series B Bonds” means the Community Improvement Commission of the City of Alameda 2011 Tax Allocation Housing Bonds, Subordinate Series B (Tax-Exempt) (Merged WECIP/BWIP Project Area), issued and Outstanding under the Indenture.

“WECIP Plan” means the Community Improvement Plan for the WECIP Project Area, approved by Ordinance No. 2141 enacted by the City Council of the City on July 5, 1983, together with any amendments to such plan approved in accordance with the Redevelopment Law.

“WECIP Project Area” means the West End Community Improvement Project area described in the WECIP Plan.

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Fund. There is established under the Indenture a Costs of Issuance Fund to be held by the Trustee. The Trustee shall deposit in the Costs of Issuance Fund proceeds of the 2011 Bonds in the amounts specified in the Indenture. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Request of the Agency stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Agency. In satisfying withdrawal requests from the Costs of Issuance Fund, the Trustee shall first use amounts deposited to the Costs of Issuance Fund from the proceeds of the 2011 Series B Bonds pursuant to the Indenture and any investment earnings thereon, and then use amounts deposited to the Costs of Issuance Fund from the proceeds of the 2011 Series A Bonds pursuant to the Indenture and any investment earnings thereon. On the earlier of (i) the date which is six (6) months following the Closing Date, or (ii) the date of receipt by the Trustee of a Request of the Agency therefor, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Housing Project Fund.

Housing Projects Fund. There is established under the Indenture a Housing Projects Fund to be held by the Trustee. Amounts on deposit in the Housing Projects Fund shall be used solely in the manner provided by the Redevelopment Law and the Redevelopment Plan to assist in the financing of low and moderate income housing within the geographic boundaries of the City. The moneys in the Housing Projects Fund shall be used and withdrawn by the Trustee from time to time upon submission of a 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. Each such Request of the Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. The Agency shall maintain records as to the disposition of all amounts transferred to it by the Trustee pursuant to the Indenture, in sufficient detail as necessary to comply with the requirements of the Redevelopment Law.

Pledged Housing Set-Aside Fund; Deposit of Housing Tax Increment Revenues. The Agency will establish a Pledged Housing Set-Aside Fund, which will be held by the Agency pursuant to the Indenture. The Agency shall deposit the Housing Tax Increment Revenues received in any Bond Year, after satisfying the requirements of the Senior Debt and any Senior

Refunding Debt for such Bond Year, in the Pledged Housing Set-Aside Fund promptly upon receipt thereof by the Agency, until such time (if any) during any Bond Year as the amounts on deposit in the Pledged Housing Set-Aside Fund equal the aggregate amounts required to be transferred pursuant to the Indenture in the Bond Year; and (except as may be otherwise provided in any Parity Debt Instruments) any Housing Tax Increment Revenues received during any such Bond Year in excess of such amounts shall be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency.

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 hereunder and under any Parity Debt Instruments, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Pledged Housing Set-Aside Fund, except only as provided in the Indenture and in any Parity Debt Instruments, and such moneys shall be used and applied as set forth in the Indenture and in any Parity Debt Instruments.

Debt Service Fund; Transfer of Amounts to Trustee. The Trustee will establish a Debt Service Fund, which will be held by the Trustee under the Indenture in trust. The Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee amounts required to meet the Agency's obligations under the Debt Service Fund provisions of the Indenture. Moneys so transferred by the Agency to the Trustee shall be in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are established by the Indenture with the Trustee, in the following order of priority:

(a) Interest Account. On or before each date on which interest on the Bonds becomes due and payable, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable.

(b) Principal Account; Sinking Account. On or before each date on which principal of the Bonds becomes due and payable at maturity or date on which any Outstanding Term Bonds become subject to mandatory Sinking Account redemption, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit (i) in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Bonds; and (ii) in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds subject to mandatory Sinking Account redemption on such date. In the event that the amount then in the Pledged Housing Set-Aside Fund, following the transfer described in the preceding subparagraph (a), is not sufficient to fully fund the amounts described in the preceding clauses (i) and (ii), the Trustee shall deposit the available funds in the Pledged Housing Set-Aside Fund pro rata to the Principal Account and the Sinking Account, based on the aggregate principal and Sinking Account payments then due on the Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds upon the maturity thereof. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

(c) [intentionally omitted].

(d) Reserve Account. In the event that the aggregate amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee (to the extent known to it) shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee from the Pledged Housing Set-Aside Fund to the Reserve Account an amount sufficient to maintain an aggregate amount equal to the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account shall be used and withdrawn by the Trustee for the purpose of making transfers to (i) the Interest Account, and (ii) the Principal Account and the Sinking Account, in such order of priority (pro rata to the Principal Account and the Sinking Account, based upon the principal and sinking account payments then due, if the amount then in the Reserve Account, after satisfying any deficiency in the Interest Account, is not sufficient to fully satisfy any then deficiencies in the Principal Account and the Sinking Account), on any date which the principal of or interest on the Bonds becomes due and payable under the Indenture, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding. If, as of any Interest Payment Date, no Event of Default shall have occurred and then be continuing and the aggregate amount on deposit in the Reserve Account is in excess of the then Reserve Requirement, the Trustee shall withdraw the excess amount and transfer the excess amount to the Interest Account to be used for the purposes of such account.

The Agency shall have the right at any time to release any 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 Tax-Exempt Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer the amount to be released to the Agency free and clear of the lien of the Indenture. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture.

At least fifteen (15) days prior to the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee for deposit to the Reserve Account an amount of funds such that the aggregate amount on deposit in the Reserve Account is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Agency shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Account Credit Instrument in full and deposit the proceeds of such draw in the Reserve Account.

In the event that the Reserve Requirement shall at any time be maintained in the Reserve Account in the form of a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Reserve Account before the Trustee shall draw

any moneys under such Qualified Reserve Account Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from the Reserve Account, the Housing Tax Increment Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made pursuant to applicable provisions of the Indenture shall be used to reinstate the Qualified Reserve Account Credit Instrument. If there is more than one Qualified Reserve Account Credit Instrument held in a subaccount of the Reserve Account, any draw or reinstatement shall be made upon them pro rata.

Subaccounts may be established in the Reserve Account for the purpose of holding the proceeds of separate issues of Parity Debt in conformity with applicable provisions of the Tax Code.

(e) Redemption Account. On or before each date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Term Bonds, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date taking into account any funds then on deposit in the Redemption Account available for such purpose. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

Investment By Trustee of Moneys in Funds

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, the Redemption Account, the Housing Projects Fund (including the accounts therein) and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments specified in the Request of the Agency delivered to the Trustee at least two (2) Business Days in advance of the making of such investments; *provided, however,* that in the absence of any such direction from the Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (h) of the definition thereof. Moneys in the Pledged Housing Set-Aside Fund shall be invested by the Agency in any obligations in which the Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in the Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made; *provided, however,* that (i) all interest or gain from the investment of amounts in the Reserve Account, to the extent not required to cause the amount in the Reserve Account to equal the Reserve Requirement shall be deposited by the Trustee to the Interest Account, and (ii) so long as no Event of Default shall have occurred and be continuing, all interest or gain on investments of amounts in the Pledged Housing Set-Aside Fund shall be released from the pledge under the Indenture and used by the Agency for any lawful purposes. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the Agency. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

The Trustee may make any investments under the Indenture through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

Issuance of Parity Debt

The Agency may issue or incur Parity Debt in such principal amount as shall be determined by the Agency, subject only to the following conditions:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Indenture.

(b) The Agency shall provide to the Trustee a certificate or opinion of an Independent Redevelopment Consultant showing:

(i) for the current and each future Bond Year the Annual Debt Service for each such Bond Year with respect to all Bonds and Parity Debt to be outstanding following the issuance of the Parity Debt; and

(ii) the Housing Tax Increment Revenues projected to be received by the Agency in each Fiscal Year during the term of the Bonds and the Parity Debt to be issued, assuming no growth in assessed value from the then Fiscal Year, but taking into account all Plan Limitations and other known factors which would cause a reduction in Housing Tax Increment Revenues in any future Bond Year, plus at the option of the Agency, the Additional Allowance; and

(iii) that (A) the Housing Tax Increment Revenues referred to in (ii) above, plus (B) any tax increment revenues arising from the Alameda Landing Property available to pay debt service on the Senior Debt and any Senior Refunding Debt (but not in any event more than the scheduled debt service on such Senior Debt and Senior Refunding Debt), are at least equal to 125% of the aggregate Annual Debt Service for each Bond Year on all Bonds, Parity Debt, Senior Debt and Senior Refunding Debt to be outstanding following the issuance of the Parity Debt (excluding debt service with respect to any portion of the Parity Debt deposited in an escrowed proceeds account as described below).

(c) Subject to paragraph (d) below, the issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limitations. Without limiting the generality of the foregoing, the Agency shall not issue or execute and deliver any Parity Debt in the event and to the extent that either (i) the sum of the aggregate amount of debt service on all outstanding obligations of the Agency payable from Housing Tax Increment Revenues, including such Parity Debt, exceeds the aggregate amount of Housing Tax Increment Revenues which are eligible to be allocated and paid to the Agency while such obligations remain outstanding, or (ii) the aggregate principal amount of all outstanding obligations of the Agency, including such Parity Debt, exceeds any applicable limit in the Redevelopment Plan on the aggregate principal amount of indebtedness payable from Housing Tax Increment Revenues which the Agency is permitted to have outstanding at any one time.

(d) In computing the Annual Debt Service on the Bonds and the Parity Debt for purposes of paragraph (b) above, and the debt service for purposes of paragraph (c) above, if interest on any Bonds or the Parity Debt is payable at a variable rate or is

otherwise incapable of determination, (A) if the Agency has entered into a variable to fixed swap arrangement with respect to such Bonds or Parity Debt the term of which extends for the term of such Bonds or Parity Debt and payments by the counterparty on the swap arrangement are guaranteed or insured by an entity whose unsecured debt obligations are rated in the highest rating category by Moody's or S&P, the annual debt service due by the Agency under the swap arrangement shall be used rather than the annual debt service on such Bonds or Parity Debt, or (B) the Bonds or Parity Debt shall be assumed to bear interest at a fixed rate equal to the average of the daily interest rate on such Bonds during the three-year period preceding the first day of the month in which the determination is made (and, if such Bonds or Parity Debt have not been outstanding for the entire three-year period, for the portion of such time period such Bonds or Parity Debt were not outstanding, the interest rate on a debt instrument of similar credit quality and maturity as determined by an Independent Redevelopment Consultant).

(e) The related Parity Debt Instrument shall provide that:

(i) Interest on such Parity Debt shall be payable on March 1 and September 1 in each year in which interest is payable on such Parity Debt except the first twelve-month period, during which interest may be payable on any March 1 or September 1 and provided that (A) there shall be no requirement that such Parity Debt pay interest on a current basis and (B) the interest rate on all Parity Debt shall be fixed for the term of the Parity Debt;

(ii) The principal of such Parity Debt shall be payable on September 1 in any year in which principal is payable; and

(iii) Money (and/or a Qualified Reserve Account Credit Instrument) shall be deposited in the Reserve Account in an amount such that the amount in the Reserve Account is equal to the Reserve Requirement to be in effect immediately following the issuance of the Parity Debt.

(f) The related Parity Debt Instrument shall designate, if applicable, that the Parity Debt or any series thereof authorized thereby are Tax-Exempt Bonds.

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

For the purposes of the issuance of Parity Debt, Annual Debt Service shall not include the principal and interest attributable to the portion of any Parity Debt which are deposited in an escrow fund held by an escrow agent, provided that the instrument pursuant to which the Parity Debt have been issued provides that: (A) such proceeds in the escrow fund shall be deposited or invested with or secured by an institution rated "A" by S&P or "A" by Moody's at a rate of interest which, together with amounts made available by the Agency from bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on said portion of the principal of the Parity Debt; (B) moneys may be transferred from said escrow fund only if the Parity Debt test set forth in subsection (b)(iii) above is met with respect to the amounts to be transferred from the escrow fund; and (C) Parity Debt shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

Notwithstanding the foregoing, the Agency may issue or incur Refunding Debt in such principal amount as shall be determined by the Agency so long as the conditions set forth in

subsections (a), (c) and (e) above are met, and the Agency delivers to the Trustee a Certificate of the Agency certifying that such conditions precedent to the issuance of such Refunding Debt set forth in subsections (a), (c), (e) and, if applicable, (f) above have been met and such Refunding Debt is otherwise in accordance with the definition of Refunding Debt.

Issuance of Subordinate Debt

From time to time the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency; provided that (a) the Agency shall be in compliance with all of its covenants set forth in the Indenture and any Parity Debt Instruments, (b) the issuance of such Subordinate Debt (after taking into account the Bonds and all other obligations of the Agency payable from Housing Tax Increment Revenues, as well as all other bonded indebtedness of the Agency) shall not cause the Agency to exceed any applicable Plan Limitations, and (c) the Agency will at all times that the Bonds are Outstanding have sufficient capacity to receive Housing Tax Increment Revenues in an amount at least equal to the remaining Debt Service on the Bonds as well as all fixed debt service or other obligations of the Agency (including such Subordinate Debt) payable from Housing Tax Increment Revenues.

Other Covenants of the Agency

Limitation on Superior Debt. The Agency agrees in the Indenture that so long as the Bonds remain Outstanding, the Agency will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Housing Tax Increment Revenues which is superior to the lien established under the Indenture for the security of the Bonds, excepting only Senior Refunding Debt. The Agency agrees in the Indenture that, so long as the Bonds remain unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Housing Tax Increment Revenues which is on a parity with the lien established under the Indenture for the security of the Bonds, excepting only Parity Debt. Nothing in the Indenture is intended or shall be construed in any way to prohibit or impose any limitations upon the issuance by the Agency of (a) Senior Refunding Debt, or (b) subject to the provisions of the Indenture, loans, bonds, notes, advances or other indebtedness which are unsecured or which are secured by a junior lien on the Housing Tax Increment Revenues.

Payment of Claims. The Agency will 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 Housing Tax Increment Revenues 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 will require the Agency to make any such payment so long as the Agency in good faith contests the validity of said claims.

Books and Accounts. 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, in which complete and correct entries shall be made of all transactions relating to the Housing Tax Increment Revenues, the Housing Projects Fund and the Pledged Housing Set-Aside Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee and the Owners of any Bonds then Outstanding, or their representatives authorized in writing. The Trustee shall have no duty to review such books of record and accounts.

Protection of Security and Rights. The Agency will preserve and protect the security of the Bonds and the rights of the Trustee and the Bond Owners. From and after the Closing Date, the Bonds shall be incontestable by the Agency.

Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may after the execution of the Indenture be lawfully imposed upon the Agency or the properties then owned by the Agency in the project area created by the Redevelopment Plan, when the same shall become due. Nothing contained in the Indenture shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Extension of Payment. The Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Merged 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 disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Redevelopment Project (calculating such ten percent against land in the Merged Project Area owned by private parties as of the Closing Date) unless such disposition is permitted as provided in the Indenture. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. The Agency may thereafter make such disposition if the Report of the Independent Redevelopment Consultant concludes that (a) the security of the Bonds and the rights of the Bond Owners and the Trustee hereunder will not be materially impaired by said proposed disposition, and (b) the proposed disposition, in itself, and will not otherwise result in then projected Housing Tax Increment Revenues available to pay the Bonds, the Senior Debt and any Senior Refunding Debt in any Bond Year being less than 1.25 times the scheduled debt service on the Bonds, the Senior Debt and any Senior Refunding Debt in each such Bond Year. If said Report concludes that such security will be materially impaired by said proposed disposition or such debt service coverage requirement will not be met as a result of such disposition, the Agency shall disapprove and shall not make said proposed disposition.

Maintenance of Housing Tax Increment Revenues. The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Housing Tax Increment Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund established

pursuant to Section 33334.3 of the Redevelopment Law, all amounts when, as and if required to be deposited therein pursuant to the Redevelopment Law.

The Agency shall not enter into any agreement with the County or any other governmental unit, or modify the Redevelopment Plan in any manner, which would have the effect of reducing the amount of Housing Tax Increment Revenues available to the Agency under the Redevelopment Plan for payment of the Bonds as of the Closing Date, unless in the written opinion of an Independent Redevelopment Consultant filed with the Trustee such reduction will not adversely affect the interests under the Indenture of or the security granted thereunder to the owners of the Bonds.

The Agency agrees not to make any findings of the character described in subparagraphs (1)(A), (2)(A) or (3)(A) of Section 33334.2(a) of the Redevelopment Law with the purpose or effect of reducing the percentage of taxes allocated to the Agency pursuant to Section 33670 of the Redevelopment Law that are required by Sections 33334.2(a) and 33334.6(a) to be deposited in the Agency's Low and Moderate Income Housing Fund described in Section 33334.3 of the Redevelopment Law.

Payment of Expenses; Indemnification. The Agency shall pay to the Trustee all compensation for all services rendered under the Indenture following the receipt of a statement therefor, including but not limited to all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture.

The Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any losses, expenses and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees.

Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Tax-Exempt Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Tax-Exempt Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date for the related Bonds, would have caused the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

Private Activity Bond Limitation. The Agency shall assure that the proceeds of the Tax-Exempt Bonds are not so used as to cause the Tax-Exempt Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

Rebate Requirement. The Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Tax 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 Tax-Exempt Bonds.

Maintenance of Tax-Exemption. The Agency shall take all actions necessary to assure the exclusion of interest on the Tax-Exempt Bonds from the gross income of the Owners of the

Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Tax-Exempt Bonds.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding 2011 Bonds, shall (but only to the extent it has been indemnified to its satisfaction from any cost, claim, liability or expense, including, without limitation fees and expenses of its attorneys) or any Owner of any of the 2011 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners the rights and benefits provided in the Indenture.

Annual Review of Housing Tax Increment Revenues. The Agency shall annually review the total amount of Housing Tax Increment Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitations, as well as future cumulative annual debt service. If remaining Housing Tax Increment Revenues allocable within the Redevelopment Plan's cumulative tax increment limit are less than one hundred five percent (105%) of all future debt service on the Bonds and any other obligations of the Agency payable from Housing Tax Increment Revenues (including the Senior Debt and any Senior Refunding Debt), all Housing Tax Increment Revenues not needed to pay current or any past due debt service on any Agency obligations, to replenish the Reserve Account to the Reserve Requirement or to make payments due under other contractual obligations of the Agency referred to in clause (b) of the definition "Housing Tax Increment Revenues" in Section 1.01 (the "School District Obligations") or which are otherwise subordinate to the Bonds, shall be deposited into a Trustee-held escrow account and invested in Defeasance Securities. Such fund shall be used only to pay scheduled debt service on the Bonds and to pay any Senior Debt and Senior Refunding Debt, or to redeem or prepay, as the case may be, the Bonds or such Senior Debt and Senior Refunding Debt, and if all payments on the Bonds, the Senior Debt and any Senior Refunding Debt then due and payable have been made, to satisfy any School District Obligations or other subordinate obligations then due and payable. The Agency shall include with its annual audited financial report a statement to the effect that the foregoing calculations have been made, along with the results of the calculations.

In complying with the foregoing provisions of the Indenture, the Agency shall at all times proceed in a manner that takes into account, and does not violate, its obligations under Section 5.11 of the Indenture of Trust, dated as of October 1, 2003, between the Agency and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), providing for the issuance of the Series 2003C Bonds and the Series 2003D Bonds as described therein.

Use of Proceeds of Prior Bond Issues for Housing Purposes. The Agency represents that no proceeds of any debt outstanding for any of the Merged Project Area, secured by a pledge of or lien on any portion of the Housing Tax Increment Revenues on a basis senior to or on a parity with the pledge of and lien on Housing Tax Increment Revenues under the Indenture, have been used for or are otherwise attributable to housing purposes, except for the Senior Debt.

Retirement of Prior Obligations. The Agency covenants that it shall cause the amounts on deposit under the Escrow Agreement to be applied to the discharge of all of the 1992 Loan Agreement. To that end, the Trustee shall transfer a portion of the proceeds of the Bonds, as described in the Indenture, to the Escrow Bank for investment and application as provided in the Escrow Agreement, and the Agency hereby covenants that any indebtedness represented by the 1992 Loan Agreement will be fully discharged on the Closing Date.

Duties, Immunities and Liabilities of Trustee

The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

The Agency may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' written notice of such removal by the Agency to the Trustee, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving at least 60 days' prior written notice of such resignation to the Agency and by giving the Owners notice of such resignation by first-class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and after payment by the Agency of all unpaid fees and expenses of the predecessor Trustee, such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee therein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and

confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in paragraph, the Agency shall mail or cause the successor Trustee to mail, by first-class mail, postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Agency.

Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall (i) be a trust company or bank in good standing located in or organized under the laws of the State of California, or located in or organized under the laws of any other state, (ii) be authorized to exercise trust powers, (iii) have (or in the case of a corporation or trust company, included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and (iv) be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture and shall assist the Agency in a transfer of the trust estate hereunder to an institution eligible to serve as Trustee hereunder, without cost to the Agency.

Any bank or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Liability of Trustee

The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of the Indenture or of the Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such

committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture shall not be construed as a mandatory duty.

The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at its Office. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default under the Indenture or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder.

All indemnifications and releases from liability granted in the Indenture to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Before taking any action under the Indenture at the request of the Owners the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, in the absence of negligence or willful misconduct by the Trustee. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Agency, with regard to legal questions, and in the absence of negligence or willful misconduct by the Trustee the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Indenture in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but shall have no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or Report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Agency.

Amendment of Indenture

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power therein reserved to or conferred upon the Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel; or

(c) to provide for the issuance of Parity Debt and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the Parity Debt provisions of the Indenture.

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for purposes of federal income taxation of interest on the Tax-Exempt Bonds.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premium (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 Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such

amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Effect of Supplemental Indenture

From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Events of Default and Remedies

Events of Default. The following events constitute Events of Default under the Indenture:

(a) Failure to pay any installment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of sixty (60) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Agency by the Trustee; *provided, however*, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such sixty (60) day period and the Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) The occurrence of an Event of Default under and as defined in any Parity Debt 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 shall exercise any remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone confirmed in writing. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided in the Indenture for notices of redemption of the Bonds.

Application of Funds Upon Default. So long as Event of Default exists, all sums received by the Trustee under the Indenture will be applied by the Trustee as follows and in the following order:

(a) To the payment of the reasonable fees, costs and expenses of the Trustee (including reasonable fees and expenses of its counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all reasonable fees, costs and expenses owing to the Trustee pursuant to the Indenture; and

(b) To the payment of the whole amount of interest on and principal (including Sinking Account installments) of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay the full amount of such interest and principal (including Sinking Account installments), then such amounts shall be applied in the following order of priority:

first, to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

second, to the payment of principal of all installments of the Bonds then due and unpaid (including Sinking Account installments), on a pro rata basis in the event that the available amounts are insufficient to pay all such principal and Sinking Account installments in full, and

third, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owners' Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to

comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared in the Indenture, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as provided in the Indenture, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions or any other provision of the Indenture.

Defeasance of Bonds

If the Agency shall pay and discharge the entire indebtedness on any Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, in the opinion or report of an Independent Accountant or Bond Counsel is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;

(c) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Securities in such amount as an Independent Accountant or Bond Counsel shall determine will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

(d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Housing Tax Increment Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Agency under the Indenture with respect to such Bonds shall cease and terminate, except only (a) the obligations of the Agency under the Tax-Exempt Bond covenants of the Indenture, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (d) the obligations of the Agency to compensate and indemnify the Trustee pursuant to the Indenture. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the

Trustee, which are not required for said purpose, shall be paid over to the Agency, to be used for any lawful purpose of the Agency.

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APPENDIX B

CERTAIN INFORMATION REGARDING THE CITY OF ALAMEDA

The information in this Appendix B is provided as general background data. The Bonds are payable solely from the Housing Tax Increment Revenues and other funds pledged therefore under the Indenture as described in the body of this Official Statement. The City has no liability whatsoever with respect to the payment of the Bonds or the Agency's obligations under the Indenture.

Overview

The City is a chartered city which was incorporated in 1854. The City is located in Alameda County (the "County") just west of the City of Oakland and approximately 12 miles east of San Francisco. The City consists of an island in the eastern portion of San Francisco Bay approximately six miles long by one and one-half miles wide and part of a peninsula adjacent to the Oakland Airport. The island portion is connected to the East Bay Area by three bridges and a vehicular underwater double barrel tube. Total City area is 22.7 square miles, about 12.4 square miles of which is water area.

The City is a major marine recreational area for Northern California with seven marinas and a private seaport. The City is part of the highly urbanized East Bay, which consists of Alameda and Contra Costa counties. A highly skilled labor force, excellent transportation facilities, renowned educational institutions and available advanced research and development resources contribute to the area's economy.

Governing Body

The City operates under a Council-Manager form of government, whereby policies of the City Council are administered by a City Manager, who is appointed by the City Council. All municipal departments operate under the supervision of the City Manager. The Council consists of four members who are elected at large for four-year overlapping terms. The Mayor is elected directly by the people for a four year term. Municipal services provided by the City include police, fire, public works, general government, parks and recreation, sanitary sewer, community development, planning, golf, library and base reuse. Component units of the City include Alameda Municipal Power and the Alameda Housing Authority.

The current members of the City Council and key administrative personnel of the City are listed in the following tables:

CITY OF ALAMEDA City Council Members

Name	Office	Term Expires
Marie Gilmore	Mayor	December 2014
Rob Bonta	Vice Mayor	December 2014
Doug deHaan	Councilmember	December 2012
Beverly Johnson	Councilmember	December 2012
Lena Tam	Councilmember	December 2014

**CITY OF ALAMEDA
Key Administrative Personnel**

Member	Position
Lisa K. Goldman	Acting City Manager
Jennifer Ott	Deputy City Manager
Fred Marsh	Controller
Lara Weisiger	City Clerk
Donna Mooney	Acting City Attorney

Population

The following table represents the City's population for the decades 1990 and 2000 and the annual estimates for 2001 through 2010:

**CITY OF ALAMEDA
Population**

Year	Population
1990	73,979
2000	72,259
2001	72,807
2002	73,240
2003	73,278
2004	72,782
2005	72,761
2006	72,808
2007	73,359
2008	74,032
2009	74,736
2010	75,409

Source: 2001 through 2010 population totals are California State Department of Finance estimates as of January 1. The 1990 and 2000 totals are U.S. Census figures.

Convenient freeway accessibility and regularly scheduled commuter bus service by Alameda Contra Costa Transit District, which includes linkage with nearby Bay Area Rapid Transit (BART) stations, enable City residents to work in virtually any part of the San Francisco-Oakland Metropolitan Bay Area.

As of June, 2010, the California Employment Development Department estimates that the adjusted civilian labor force for the County was approximately 755,200, of which 669,700 were employed. The unadjusted unemployment rate as of June, 2010 was 11.3%.

The following table summarizes historical employment and unemployment in the County.

ALAMEDA COUNTY
Civilian Labor Force, Employment and Unemployment
Annual Averages

	2006	2007	2008	2009	2010
Civilian Labor Force					
Employment	708,700	717,600	719,100	679,600	669,700
Unemployment	32,900	35,400	47,400	80,000	85,000
Total	<u>741,700</u>	<u>753,000</u>	<u>766,500</u>	<u>759,600</u>	<u>755,200</u>
Unemployment Rate	4.4%	4.7%	6.2%	10.5%	11.3%

Source: California Employment Development Department, Labor Market Information Division, March 2010 Benchmark.

The following table summarizes historical employment and unemployment in the City.

CITY OF ALAMEDA
Civilian Labor Force, Employment and Unemployment
Annual Averages

	2006	2007	2008	2009	2010
Civilian Labor Force					
Employment	38,300	38,800	38,900	36,800	36,200
Unemployment	1,200	1,300	1,700	2,900	3,100
Total	<u>39,500</u>	<u>40,100</u>	<u>40,600</u>	<u>39,700</u>	<u>39,300</u>
Unemployment Rate	3.0%	3.2%	4.2%	7.2%	7.8%

Source: California Employment Development Department, Labor Market Information Division, March 2010 Benchmark.

The following table summarizes historical numbers of workers in the County, by industry.

ALAMEDA COUNTY
Estimated Number of Wage and Salary Workers by Industry
(in thousands)

	2005	2006	2007	2008	2009*
Total, All Industries	693,400	702,400	702,900	692,300	647,000
Total Farm	700	800	800	700	700
Natural Resources and Mining	200	200	200	100	
Construction	43,200	44,100	43,600	39,900	
Manufacturing	75,800	75,600	73,700	72,300	63,500
Trade, Transportation and Utilities	134,500	135,600	137,000	131,800	121,500
Wholesale Trade	39,700	39,700	39,600	38,900	36,100
Retail Trade	68,100	69,300	68,900	65,800	60,700
Transportation, Warehousing and Utilities	26,700	26,600	28,500	27,100	24,700
Information	17,200	16,700	16,000	16,100	14,700
Financial Activities	35,500	35,600	33,300	30,600	27,000
Professional and Business Services	103,900	104,400	108,600	112,900	103,100
Educational and Health Services	77,700	79,100	79,500	83,000	83,800
Leisure and Hospitality	51,500	53,200	54,800	56,300	53,700
Other Services	23,300	23,800	23,700	23,700	22,600
Government	129,800	133,100	131,700	124,600	122,800

*Latest available data.

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

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding. March 2010 Benchmark.

Largest Employers

The following table sets forth the largest employers in the City as of June 30, 2009:

CITY OF ALAMEDA
Largest Employers

Employer	Number of Employees
U.S. Coast Guard	2,200
Alameda Unified School District	1,068
Abbot Diabetes Care, Inc.	900
Alameda Hospital	692
City of Alameda	620
Wind River Systems	400
Bay Ship & Yacht Company	370
College of Alameda	358
Safeway Stores	345
Celera	330

Source: City of Alameda Community Development Department and City of Alameda Business License Records

Building Activity

The following table reflects the five-year history of building permit valuation for the City:

CITY OF ALAMEDA					
Building Permits and Valuations					
(dollars in thousands)					
	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	\$49,753	\$37,393	\$39,598	\$ 408	\$ 879
New Multi-family	475	675	380	0	0
Res. Alterations/Additions	24,126	33,214	24,314	14,510	10,553
Total Residential	\$74,354	\$71,282	\$64,297	\$14,918	\$11,432
New Commercial	\$ 5,853	\$18,780	\$14,517	\$ 0	\$ 0
New Industrial	3,703	1,174	3,342	0	0
New Other	6,709	5,967	6,774	969	727
Comm. Alterations/Additions	23,541	23,623	22,469	6,928	1,417
Total Nonresidential	\$39,807	\$49,544	\$47,102	\$7,897	\$2,144
New Dwelling Units					
Single Family	151	112	110	2	3
Multiple Family	2	4	2	0	0
Total	153	116	112	2	3

Source: Construction Industry Research Board.

Commercial Activity

The City has two central business districts, ten neighborhood commercial districts, a regional shopping center (over 600,000 square feet of retail space), and three community shopping centers (Bridgeside, Harbor Bay Landing, and the Marina Village Shopping Center), each having over 80,000 square feet.

CITY OF ALAMEDA		
Trade Outlets and Taxable Sales		
(in thousands of dollars)		
Year	Outlets	Taxable Sales
2004	1,115	424,263
2005	1,105	449,677
2006	1,052	439,132
2007	1,010	458,600
2008	1,027	447,507
2009 ⁽¹⁾	1,350	359,079

Source: State Board of Equalization.

(1) Latest available full-year data.

Transportation

City streets intersect with an integral component (U.S. Interstate 880) of the freeway complex that links the East Bay with the rest of the Bay Area, the State, and the nation.

Alameda-Contra Costa Transit District buses serving the City also provide scheduled service two miles east to BART, the Bay Area's 75-mile, 34 station mass rapid transit system.

Oakland International Airport is located alongside the City's southern limit; San Francisco International Airport lies to the west across San Francisco Bay 16 miles by freeway.

Community Services and Recreation

The City has one general hospital with capacity of 135 beds and seven convalescent/retirement care centers with over 300 beds. Practicing in the community are approximately 200 physicians/surgeons, numerous dentists, and optometrists.

Four banks and seven savings and loan associations provide financial services at various localities in the City. Among national and statewide banking systems represented are Bank of America, Wells Fargo Bank and Comerica.

The Alameda *Journal*, a member of the Bay News Group, and the Alameda *Sun* are published bi-weekly in the City. The City is conveniently located for access to all San Francisco-Oakland Bay Area print and broadcast communications media.

The Alameda Free Library system includes the Main Library and two branches. The City's Recreation and Parks Department administers fourteen parks, two swim centers, a senior center, a model airfield, a boat launching ramp and a municipal golf course. The City's Chuck Corica Golf Complex consists of two 18-hole, back-to-back courses, coffee shop, pro shop, driving range, and a nine-hole, par three course.

Public educational services within the City are provided by the Alameda Unified School District. Located within the City are seven pre-schools, ten elementary schools, two middle schools, three high schools, one adult college, one community college and several private and parochial schools.

Located along the shoreline is one shoreline park, a state beach, seven small boat marinas and five yacht clubs which support water-oriented sports activities including boating, water-skiing, fishing and swimming.

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. The following table represents the five year history of median household EBI for the City, the County, the State and the United States of America:

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

Year	Area	Total Effective Buying Income (000's omitted)	Median Household Effective Buying Income
2005	City of Alameda	\$ 1,937,230	\$52,350
	Alameda County	34,772,823	52,295
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Alameda	\$ 1,971,105	\$52,819
	Alameda County	35,772,898	53,171
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2007	City of Alameda	\$ 2,072,000	\$54,911
	Alameda County	37,572,278	54,688
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Alameda	\$ 2,110,295	\$56,044
	Alameda County	29,965,000	47,353
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Alameda	\$ 2,196,838	\$58,598
	Alameda County	40,053,865	57,997
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: Nielson Claritas, Inc.

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APPENDIX C

**ANNUAL FINANCIAL REPORT OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**Community Improvement
Commission Of
The City Of Alameda, California**



**Component Unit Financial
Statements And Independent
Auditor's Reports**

**For The Fiscal Year
Ended June 30, 2010**

**Community
Improvement
Commission of the
City of Alameda**
Alameda, California

*Component Unit Basic Financial Statements
and Independent Auditor's Reports*

For the year ended June 30, 2010

Community Improvement Commission of the City of Alameda
Basic Financial Statements
For the year ended June 30, 2010

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Community Improvement Commission of the City of Alameda
Basic Financial Statements
For the year ended June 30, 2010

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COMMUNITY IMPROVEMENT COMMISSION

OF THE CITY OF ALAMEDA

COMMISSION MEMBERS AND ADMINISTRATIVE PERSONNEL

JUNE 30, 2010

MEMBERS

Chair	Beverly Johnson
Vice Chair	Doug deHaan
Member	Marie Gilmore
Member	Frank Matarrese
Member	Lena Tam

ADMINISTRATIVE PERSONNEL

Interim Executive Director	Ann Marie Gallant
Secretary	Lara Weisiger

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INDEPENDENT AUDITOR'S REPORT

Members of the Community Improvement Commission
of the City of Alameda
Alameda, California

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Community Improvement Commission of the City of Alameda (Commission), a component unit of the City of Alameda, California (City), as of and for the year ended June 30, 2010, as listed in the foregoing table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Commission as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Members of the Community Improvement Commission
of the City of Alameda
Alameda, California
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Introductory Section and Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary 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. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Larson, Inc.

San Francisco, California
December 13, 2010



THE COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

This section of the Commission's annual financial report presents management's overview and analysis of its financial activities and performance for the fiscal year ended June 30, 2010. The information presented here should be considered in conjunction with the Basic Financial Statements.

OVERVIEW OF THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS

The Commission's Annual Financial Report is comprised of two parts:

- 1) Management's Discussion and Analysis, and
- 2) The Basic Component Unit Financial Statements, which include the Commission-wide and the Fund financial statements, as well as the Notes to these financial statements.

The Basic Component Unit Financial Statements

The Basic Component Unit Financial Statements are comprised of the Commission-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two views of the Commission's financial activities and financial position.

The Commission-wide Financial Statements provide a longer term view of the Commission's activities as a whole and include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Commission as a whole, including its long-term liabilities on the full accrual basis, similar to that used by private corporations. The Statement of Activities provides information on all Commission revenues and all expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the Commission's programs. The Statement of Activities explains, in detail, the change in Net Assets for the year.

The Fund Financial Statements report the Commission's operations in more detail than the Commission-wide statements and focus primarily on the short-term activities of the Commission's Governmental Funds. The Fund Financial Statements measure only current revenues, current expenditures and fund balance. They exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for all the financial activities of the Commission and are presented individually.



**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

The Commission-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about governmental activities. All of the Commission's basic services are considered to be governmental activities, including general government and development services. These services are supported by general revenues such as property tax increment, and by specific program revenues such as capital grants and developer fees.

Commission-wide financial statements are prepared on an accrual basis, which means they measure the flow of all economic resources of the Commission as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the Commission's most significant funds, defined as Major Funds. The concept of Major Funds, and the determination of which funds are defined as Major Funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually. Major Funds present the major activities of the Commission for the year, and may change from year to year as a result of changes in the pattern of the Commission's activities.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements. Comparisons of Budget and Actual financial information are presented only for the Governmental Special Revenue Funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Commission-wide and Fund Financial Statements. The notes to the financial statements follow the basic financial statements and can be found on pages 39-59 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This information includes budgetary comparison schedules. This information can be found on pages 60-62 of this report.



**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

COMMISSION-WIDE FINANCIAL ACTIVITIES

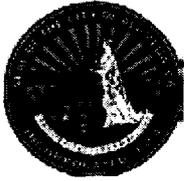
A. Statement of Net Assets

Net assets may serve in time as a useful indicator of a government's financial position. Information on net assets is presented in the following summary table:

**Summary of Net Assets
June 30, 2010 and 2009
(dollars in millions)**

	Governmental Activities		Percentage Change
	2010	2009	
Cash and Investments	\$26.80	\$28.26	-5.2%
Other Assets	6.48	6.05	7.1%
Capital Assets	19.52	19.77	-1.3%
Total assets	\$52.80	\$54.08	-2.4%
Long-Term Debt Outstanding	\$75.68	\$74.73	1.3%
Other Liabilities	4.47	8.21	-45.6%
Total Liabilities	\$80.15	\$82.94	-3.4%
Net Assets			
Restricted	\$16.00	\$19.66	-18.6%
Unrestricted	(43.35)	(48.52)	-10.7%
Total net assets (Deficit)	\$ (27.35)	\$ (28.86)	\$ (0.05)

- Cash and Investments are comprised of \$16.8 million available to fund ongoing Commission operations and \$10.0 million legally restricted under terms of Commission debt instruments or agency agreements.
- Other Assets include \$6.48 million in loan receivables for housing rehabilitation and affordable housing loans, grants programs and for the renovation of the Historic Alameda Theatre and development of a new multiplex cinema.
- Long-term debt is primarily Tax Allocation Bonds, Revenue Bonds, a HUD Section 108 Loan, and Educational Revenue Augmentation Fund (ERAF) Loan program bonds to fund Commission projects and State obligations, which benefit the Commission and the City. Other Liabilities are primarily accounts payable, interest payable, and advances from the City.
- Restricted assets of \$16.0 million include \$7.4 million restricted for debt service and \$8.6 million restricted for housing set-aside projects. The \$49.4 million deficit



**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

reflects debt and bond obligations to fund projects that provide revenues for repayment in future periods, while creating economic and community benefit.

B. Statement of Activities and Changes in Net Assets

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets summarized as follows:

**Summary of Changes in Net Assets
June 30, 2010 and 2009
(dollars in millions)**

	Governmental Activities		Percentage Change
	2010	2009	
Revenues			
Program revenues			
Charges for Services	\$0.12	\$0.03	300.0%
Operating Grants & Contributions	0.00	0.00	0.0%
Total Program Revenues	\$0.12	\$0.03	300.0%
General revenues			
Incremental Property Taxes	\$15.49	\$15.64	-1.0%
Use of Money and Property	0.71	0.63	12.7%
Other	0.37	1.17	-68.4%
Total General Revenues	16.57	17.44	-5.0%
Total Revenues	\$16.69	\$17.47	-4.5%
Program Expenses			
General Government	\$2.61	\$3.49	-25.2%
Pass-Through / ERAF	4.74	2.32	104.3%
Development Services	2.48	3.92	-36.7%
Interest on Long-Term Debt	4.13	3.89	6.2%
Total Expenses	\$13.96	\$13.62	2.5%
Change in net assets before transfers	\$2.73	\$3.85	-29.1%
Transfers, net	(1.22)	(5.05)	-75.8%
Change in net assets	1.51	(1.20)	-225.8%
Beginning Net Assets (Deficit)	(28.86)	(27.66)	4.3%
Ending Net Assets (Deficit)	\$ (27.35)	\$ (28.86)	-5.2%

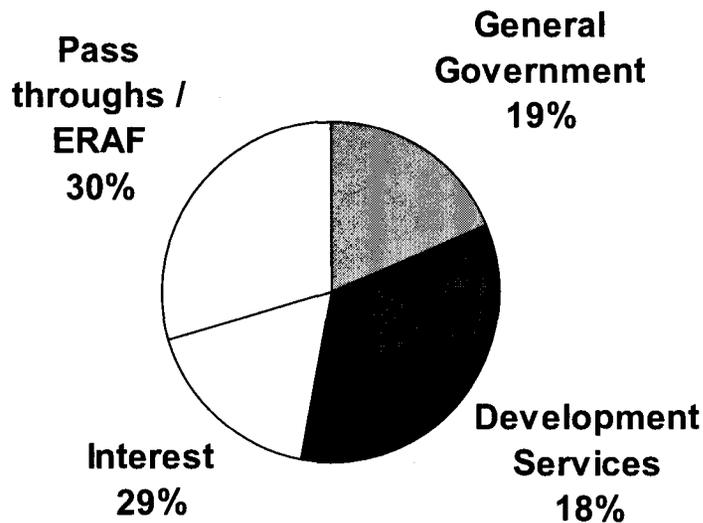


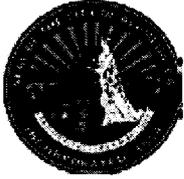
**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

- Total revenues were \$16.6 million in 2010. Incremental property tax is the largest revenue source providing \$15.7 million or 94% of revenues. Developer fees and other charges for services totaled \$0.4 million. Interest income and other local taxes were \$0.7 million.
- Total expenditures were \$14.0 million for redevelopment projects and other pass-through obligations.
- The \$1.5 million increase in net assets is primarily due to the receipt of tax increment funds during FY09-10.

The following chart shows expenses by major category for the Commission:





**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

Financial Analysis of the Commission's Funds

At June 30, 2010, the Commission's governmental funds reported combined fund balances of \$21.2 million. Of this amount, \$16.0 million is legally reserved for low- and moderate-income housing development and debt service. The unreserved, undesignated portion of fund balances of \$5.2 million is available to fund ongoing Commission operations.

Governmental fund revenues totaled \$16.3 million. Governmental expenditures totaled \$15.2 million.

West End Community Improvement Area (WECIP) WECIP revenues consisted primarily of property tax increment of \$5.3 million or almost all of total fund revenue for the year ended June 30, 2010.

WECIP expenditures included tax-increment refunds of \$0.7 million, or 17% of total fund expenditures, to Marina Village property owners based on an Owner's Participation Agreement that requires a refund of Alameda Marina Village Assessment District incremental property taxes as a partial offset of their assessment liability. Other expenditures consist of general government and development services of \$.6 million or 14%, pass-through obligations and ERAF of \$1.8 million or 43%, rental subsidies to Independence Plaza of \$0.8 million or 19%, and debt service of \$0.3 million or 7% of expenditures.

At June 30, 2010, the WECIP Fund Balance comprised \$4.9 million, of which \$0.4 million is reserved for low and moderate-income housing.

Business and Waterfront Improvement Project Area (BWIP) BWIP fund revenues consisted primarily of property tax increment of \$9.9 million or 97% of total fund revenue at June 30, 2010. Twenty percent of these funds are obligated to be separately accounted in BWIP's low and moderate-income housing fund.

BWIP fund expenditures consisted primarily of general government and development services of \$1.6 million or 32%, housing development costs of \$.2 million or 4% and pass-through / ERAF obligations of \$3.2 million or 64%.

At June 30, 2010, the BWIP fund balance of \$10.1 million includes \$7.8 million reserved for expenditures on low and moderate-income housing projects.



**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

Alameda Point Improvement Project Area (APIP) APIP fund revenues consisted primarily of property tax increment that totaled \$0.3 million or almost all of total fund revenue for the year ended June 30, 2010.

APIP fund expenditures consisted primarily pass-through and ERAF obligations to other taxing entities of \$0.5 million or 74%, general government and development services of \$0.1 million or 13% and debt service of \$0.1 million or 13%. The primary expenditures associated with the general government and development services consisted of salaries, benefits and other administrative costs.

At June 30, 2010, the APIP Fund Balance was comprised of \$0.3 million reserved for expenditures on low- and moderate-income housing projects and a deficit of \$1.8 million in leveraged, undesignated fund balances, to be replenished through future tax increment collections.

Debt Service Funds Aggregate debt service fund balances are \$7.4 million, all reserved for debt service. Aggregate total fund revenues were less than \$0.1 million from interest income.

Aggregate expenditures of \$4.8 million are comprised of principal and interest payments and other fiscal charges. The portion attributable to debt retirement is \$1.2 million or 24%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the close of FY09-10, the Commission had \$0.8 million in land, and \$18.7 million in buildings, resulting in total capital assets, net of depreciation, of to \$19.5 million.



**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

Debt Administration

Each of the Commission's debt issues is discussed in detail in Note 9 to the financial statements found on pages 53-55. A summary of debt outstanding is listed below.

Outstanding Debt			
As of June 30, 2010 and 2009			
(in millions)			
	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenue Bonds	\$1.15	\$1.30	-11.5%
Tax Allocation Bonds	64.67	65.90	-1.9%
ERAF Loan Program	0.47	0.53	-11.3%
HUD Section 109 Loan	6.85	7.00	-2.1%
Total	\$73.14	\$74.73	-2.1%

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Alameda Point

Alameda Point is the former Naval Air Station (NAS), which was closed and surplusd by the United States Navy in 1997. The Alameda Reuse and Redevelopment Authority (ARRA) under Federal Law was created to guide local economic development at Alameda Point and provide property management for the closed naval facility. The NAS is also located within the CIC's Alameda Point Improvement Project (APIP) redevelopment project area.

In May 2007, Alameda selected SCC Alameda Point LLC (Suncal) as its master developer for Alameda Point. In July 2007, Alameda entered into a 24-month Exclusive Negotiation Agreement (ENA) with Suncal, for the development of a mixed-use project on approximately 915 acres. The ENA period expired in July 2010, and the Commission's staff and the Board are currently in the process of developing an alternative process and plan for the development of Alameda Point through the ARRA.



**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

Catellus/Bayport

Catellus and Warmington Homes have completed construction of all 485 homes in the Bayport project, returning nearly 90 acres of dormant naval land back into civilian reuse. The development includes a seven-acre central park, four mini parks, and an elementary school. Of the 485 homes constructed by Warmington Homes California, 48 were moderately priced duplexes sold as part of the project's inclusionary housing obligation.

Breakers at Bayport Apartments and Townhouses

The Community Improvement Commission selected Resources for Community Development (RCD) to develop 62 units of affordable housing on the former Fleet Industrial Supply Center (FISC)/East Housing site. The 52 new apartments and 10 for-sale townhouses are located within the boundaries of the Bayport Community, between Atlantic and Wilver "Willie" Stargell Avenue, adjacent to the College of Alameda.

Of the 52 rental units, 34 are 2-bedroom flats and 18 are 3-bedroom townhouses. The rental units are dedicated for very low- to low-income households (to 60% of Area Median Income). The ten for-sale units are 3-bedroom townhouses and were sold to families of moderate-income levels. The project includes a community building and outdoor recreational space. A 59-year affordability covenant was recorded with the sale of each home. Construction is completed on the project. All units have been leased or sold.

Alameda Landing

In December 2006, the City and CIC approved an amendment to the 2001 Disposition and Development Agreement (DDA) with Catellus for construction of a mixed use project at FISC. Plans call for up to 300 residential units, of which 25% will be affordable to very low-, low- and moderate-income households, 300,000 square feet of retail, 400,000 square feet of office space, and a nine-acre waterfront park.



**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

Wilver "Willie" Stargell Avenue Extension

The Wilver "Willie" Stargell Avenue Extension project is a required mitigation resulting from the original Catellus Mixed-Use EIR, and is a key public roadway improvement required for continued redevelopment of the FISC, Alameda Point, and the entire west side of Alameda. Plans and specifications and engineering are complete. The required right-of-way was secured in August 2008. The City was allocated \$4 million in State Transportation Improvement Project Funds in September 2008. Construction commenced during FY09-10.

Park Street Streetscape (BWIP Project Area)

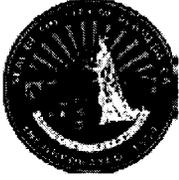
Phase Two of this project is in design stages. In addition to a \$700,000 federal grant for construction received, a second federal grant was received for \$490,000. The environmental design work was completed in Fall 2009.

Historic Theater, Cineplex and Parking Garage

The Commission completed implementation of the historic Alameda Theater, new seven screen Cineplex and new parking garage project to meet the goals of the Downtown Vision Plan and Economic Development Strategic Plan. The historic Alameda Theater and Cineplex operate functionally as one 8-screen movie theater; access to all screens is through the historic Alameda Theater's main entrance. The 341-space garage was constructed adjacent to the Cineplex along Oak Street to provide parking for the movie theater, as well as the surrounding civic center area and Park Street Business District. The Commission also leased two retail spaces in the Alameda Theatre to the Alameda Wine Company and Burgermeister restaurant. The Commission has only ongoing property management expenses pertaining to this project.

Island High Housing Project

Alameda Unified School District (AUSD) has identified the old Island High School property as a possible affordable housing site that could be developed using money from the District Housing Fund. During FY09-10, the CIC worked with AUSD to complete a property appraisal, Phase 1 environmental assessment, financial feasibility analysis and preliminary site plan. If the CIC can acquire the property, it proposes to build an affordable rental housing project at the site.



**The Community Improvement Commission
of the City of Alameda**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

626 Buena Vista Avenue

Alameda Development Corporation (ADC), in partnership with Habitat for Humanity East Bay, developed eight units of affordable ownership housing. The CIC contributed \$1.4 million to the project. Homeowners were selected and moved in during June 2009. The houses were built using the Habitat self-help "community-build" model, and the homes were sold to low- and moderate-income first-time homebuyers.

Shinsei Gardens Affordable Housing Project

A 1999 Memorandum of Understanding between the City, the Alameda Reuse and Redevelopment Authority, the CIC, the Alameda Housing Authority (AHA), the County of Alameda, and the Alameda Point Collaborative established the roles, responsibilities, and timeframes associated with development of 39 units of new, permanently affordable rental housing on a 2.5-acre site at 401 Stargell Avenue. Resources for Community Development (RCD) is the CIC's non-profit development partner.

The CIC/City pledged a maximum of \$4 million in local funds toward predevelopment and construction costs, including \$600,000 in HOME funds, for the project. RCD secured all of the required financing, and construction began in the summer of 2008 and was substantially complete by June 30, 2009.

REQUEST FOR INFORMATION

This Community Improvement Commission financial report is intended to provide residents, taxpayers, investors and creditors with a general overview of the Commission's finances. For the convenience of the public, a copy of this report is posted on the City's website (www.cityofalameda.gov). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Division at 2263 Santa Clara Avenue, Room 220, Alameda, California, 94501.

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COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities summarize the entire Commission's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Commission's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Commission's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Commission funds have been eliminated. The Statement of Net Assets reports the difference between the Commission's total assets and the Commission's total liabilities, including all the Commission's capital assets and all its long-term debt. The Statement of Net Assets summarizes the activities of all the Commission's financial position in a single column.

The Statement of Activities and Changes in Net Assets reports increases and decreases in the Commission's net assets. It presents the Commission's expenses that are listed by program first. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Commission's general revenues are then listed and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Community Improvement Commission of the City of Alameda
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 16,822,632
Restricted cash and investments	9,974,899
Total current assets	<u>26,797,531</u>
Noncurrent assets:	
Loans receivable	6,480,194
Capital assets:	
Depreciable	811,120
Non-depreciable	18,715,172
Total noncurrent assets	<u>26,006,486</u>
Total assets	<u><u>52,804,017</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	149,683
Accrued payroll	35,179
Interest payable	1,376,226
Pass-through obligations	1,098,236
Refundable deposits	33,113
Compensated absences	56,059
Long-term debt - due within one year	1,722,000
Total current liabilities	<u>4,470,496</u>
Noncurrent liabilities:	
Advances from the City of Alameda	4,258,995
Long-term debt - due in more than one year	71,421,000
Total noncurrent liabilities	<u>75,679,995</u>
Total liabilities	<u><u>80,150,491</u></u>
NET ASSETS	
Restricted for:	
Debt service	7,395,843
Housing set-aside projects	8,565,766
Total restricted net assets	<u>15,961,609</u>
Unrestricted	<u>(43,308,083)</u>
Total net assets (deficit)	<u><u>\$ (27,346,474)</u></u>

See accompanying Notes to Basic Financial Statements.

Community Improvement Commission of the City of Alameda
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
General government	\$ 1,845,351	\$ -		\$ (1,845,351)
Development services	2,484,318	121,217		(2,363,101)
Pass-through obligation / ERAF	5,504,582	-		(5,504,582)
Interest on long-term debt	4,127,276	-		(4,127,276)
Total governmental activities	\$ 13,961,527	\$ 121,217		(13,840,310)
General revenues:				
Property tax increment				15,494,892
Use of money and property				705,334
Miscellaneous				364,892
Total general revenues				16,565,118
Transfers:				
Transfers from ARRA				854,084
Transfers to City of Alameda, net				(2,070,580)
Total general revenues and transfers				15,348,622
Change in net assets				1,508,312
Net assets (Deficit) - beginning of year, as restated				(28,854,786)
Net assets (Deficit) - end of year				\$ (27,346,474)

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Community Improvement Commission of the City of Alameda
Balance Sheet
Governmental Funds
June 30, 2010

	Major Governmental Funds			
	West End Community Improvement Project Area		Business and Waterfront Improvement Project Area	
	Community Improvement	Low and Moderate Income Housing	Community Improvement	Low and Moderate Income Housing
ASSETS				
Cash and investments	\$ 824,828	\$ 179,329	\$ 6,327,932	\$ 7,053,938
Restricted cash and investments	3,814,349	245,640	253,316	-
Loans receivable	-	1,168,233	-	2,308,944
Due from other funds	-	-	-	808,781
Total assets	\$ 4,639,177	\$ 1,593,202	\$ 6,581,248	\$ 10,171,663
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 41,166	\$ -	\$ 69,981	\$ 27,028
Accrued payroll	12,871	3,168	13,336	5,276
Deferred revenue	-	1,168,233	-	2,308,944
Pass-through obligations	87,638	-	962,143	-
Due to other funds	-	-	253,316	-
Refundable deposits	-	-	-	-
Advances from the City of Alameda	-	-	3,000,000	-
Total liabilities	141,675	1,171,401	4,298,776	2,341,248
Fund Balances:				
Reserved for:				
Low and moderate income housing	-	421,801	-	7,785,686
Debt service	-	-	-	-
Unreserved, designated for:				
Unrealized increase in fair value of investments	10,462	-	39,200	44,729
SERAF payments	419,837	-	392,315	-
Capital improvements reported in:				
Special Revenue Funds	-	-	1,548,750	-
Unreserved, undesignated, reported in:				
Special Revenue Funds	4,067,203	-	302,207	-
Total fund balances	4,497,502	421,801	2,282,472	7,830,415
Total liabilities and fund balances	\$ 4,639,177	\$ 1,593,202	\$ 6,581,248	\$ 10,171,663

See accompanying Notes to Basic Financial Statements.

Major Governmental Funds

Alameda Point Community Improvement Project Area			Community Improvement Commission Subordinate Tax Allocation Bonds BWIP	Community Improvement Commission 2003 Tax Allocation Bonds BWIP	Community Improvement Commission 2003 Tax Allocation Bonds WECIP	Total Governmental Funds
Community Improvement	Low and Moderate Income Housing	Theatre/Parking Structure Project				
\$ 7,641	\$ 365,208	\$ 221,986	\$ 453,873	\$ 475,524	\$ 912,373	\$ 16,822,632
100,207	-	-	161,503	1,262,102	4,137,782	9,974,899
-	-	3,003,017	-	-	-	6,480,194
-	-	-	-	-	-	808,781
<u>\$ 107,848</u>	<u>\$ 365,208</u>	<u>\$ 3,225,003</u>	<u>\$ 615,376</u>	<u>\$ 1,737,626</u>	<u>\$ 5,050,155</u>	<u>\$ 34,086,506</u>
\$ 7,428	\$ 4,080	\$ -	\$ -	\$ -	\$ -	\$ 149,683
-	528	-	-	-	-	35,179
-	-	3,003,017	-	-	-	6,480,194
48,455	-	-	-	-	-	1,098,236
555,465	-	-	-	-	-	808,781
-	-	33,113	-	-	-	33,113
1,258,995	-	-	-	-	-	4,258,995
<u>1,870,343</u>	<u>4,608</u>	<u>3,036,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,864,181</u>
-	358,279	-	-	-	-	8,565,766
-	-	-	613,127	1,735,755	5,046,961	7,395,843
-	2,321	-	2,249	1,871	3,194	104,026
100,207	-	-	-	-	-	912,359
-	-	-	-	-	-	1,548,750
(1,862,702)	-	188,873	-	-	-	2,695,581
<u>(1,762,495)</u>	<u>360,600</u>	<u>188,873</u>	<u>615,376</u>	<u>1,737,626</u>	<u>5,050,155</u>	<u>21,222,325</u>
<u>\$ 107,848</u>	<u>\$ 365,208</u>	<u>\$ 3,225,003</u>	<u>\$ 615,376</u>	<u>\$ 1,737,626</u>	<u>\$ 5,050,155</u>	<u>\$ 34,086,506</u>

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Community Improvement Commission of the City of Alameda
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds \$ 21,222,325

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Fund Financial statements. 19,526,292

Deferred revenue recorded in the Fund Financial statements resulting from activities in which revenues were earned but funds were not available are classified as revenues in the Government-Wide Financial Statements. 6,480,194

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Fund Financial statements. (73,143,000)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (1,376,226)

Compensated absences were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. (56,059)

Net Assets of Governmental Activities \$ (27,346,474)

Community Improvement Commission of the City of Alameda
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Major Governmental Funds			
	West End Community Improvement Project Area		Business and Waterfront Improvement Project Area	
	Community Improvement	Low and Moderate Income Housing	Community Improvement	Low and Moderate Income Housing
REVENUES:				
Property tax increment	\$ 4,234,843	\$ 1,058,711	\$ 7,903,570	\$ 1,975,893
Use of money and property	13,200	-	80,138	121,106
Revenue from other agencies	-	-	121,217	-
Miscellaneous	2	-	8,118	-
Total revenues	4,248,045	1,058,711	8,113,043	2,096,999
EXPENDITURES:				
Current:				
General government	527,483	61,789	729,198	161,822
Development services	96,208	-	721,387	-
Marina Village tax increment refunds	723,611	-	-	-
Pass-through obligations/ERAF	1,776,809	-	3,201,349	-
Housing development costs	-	-	-	148,717
Rental subsidy	-	778,565	-	-
Debt service:				
Principal	32,500	150,000	32,500	-
Interest	15,268	88,060	15,268	-
Total expenditures	3,171,879	1,078,414	4,699,702	310,539
REVENUES OVER (UNDER) EXPENDITURES	1,076,166	(19,703)	3,413,341	1,786,460
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	164,414	-
Transfers out	(2,739,349)	-	(1,047,009)	(206,000)
Transfers from ARRA	-	-	-	-
Transfers from City of Alameda	256	-	-	-
Transfers to City of Alameda	(256,740)	(52,896)	(1,681,904)	(46,272)
Total other financing sources (uses)	(2,995,833)	(52,896)	(2,564,499)	(252,272)
Net change in fund balances	(1,919,667)	(72,599)	848,842	1,534,188
FUND BALANCES:				
Beginning of year	6,417,169	494,400	1,433,630	6,296,227
End of year	\$ 4,497,502	\$ 421,801	\$ 2,282,472	\$ 7,830,415

See accompanying Notes to Basic Financial Statements.

Major Governmental Funds							
Alameda Point Community Improvement Project Area			Community Improvement Commission Subordinate Tax Allocation Bonds BWIP	Community Improvement Commission 2003 Tax Allocation Bonds BWIP	Community Improvement Commission 2003 Tax Allocation Bonds WECIP	Total Governmental Funds	
Community Improvement	Low and Moderate Income Housing	Theatre/Parking Structure Project					
\$ 257,500	\$ 64,375	\$ -	\$ -	\$ -	\$ -	\$ 15,494,892	
-	5,376	16,369	4,598	2,831	43,249	286,867	
-	-	-	-	-	-	121,217	
-	-	356,772	-	-	-	364,892	
257,500	69,751	373,141	4,598	2,831	43,249	16,267,868	
42,804	20,969	-	51	310	5,235	1,549,661	
-	12,500	3,330	-	-	-	833,425	
-	-	-	-	-	-	723,611	
526,424	-	-	-	-	-	5,504,582	
-	-	-	-	-	-	148,717	
-	-	-	-	-	-	778,565	
-	-	152,000	675,000	465,000	75,000	1,582,000	
105,533	-	195,042	173,769	793,324	2,684,634	4,070,898	
674,761	33,469	350,372	848,820	1,258,634	2,764,869	15,191,459	
(417,261)	36,282	22,769	(844,222)	(1,255,803)	(2,721,620)	1,076,409	
-	-	-	848,769	404,240	2,739,349	4,156,772	
-	-	(164,414)	-	-	-	(4,156,772)	
-	-	-	-	854,084	-	854,084	
-	-	-	-	-	-	256	
(24,132)	(8,892)	-	-	-	-	(2,070,836)	
(24,132)	(8,892)	(164,414)	848,769	1,258,324	2,739,349	(1,216,496)	
(441,393)	27,390	(141,645)	4,547	2,521	17,729	(140,087)	
(1,321,102)	333,210	330,518	610,829	1,735,105	5,032,426	21,362,412	
\$ (1,762,495)	\$ 360,600	\$ 188,873	\$ 615,376	\$ 1,737,626	\$ 5,050,155	\$ 21,222,325	

Community Improvement Commission of the City of Alameda
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because: (140,087)

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds. (239,631)

Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. 1,582,000

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from the prior year. (56,378)

Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Assets. (56,059)

Revenues from new loans that are funded in this fiscal year that will not be collected for several months after the fiscal year ends are not considered "available" revenue and are classified as deferred revenue in the governmental funds. 418,467

Change in Net Assets of Governmental Activities **\$ 1,508,312**

NOTES TO BASIC FINANCIAL STATEMENTS

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements
For the year ended June 30, 2010

1. BACKGROUND AND PROJECT AREAS

A. Description of the Reporting Entity

The Community Improvement Commission of the City of Alameda (CIC), California, was established under the provisions of the California Community Redevelopment Law to assist in the economic revitalization of areas located in the City of Alameda, which were determined to be in a blighted condition. The City Council serves as the Governing Board of the Commission, which is a component unit of the City and which is accounted in separate funds established by the City.

The West End Community Improvement Project Area (the WECIP Plan), was adopted in 1983. The Business and Waterfront Improvement Project Area (the BWIP Plan), was adopted in 1991. The WECIP and BWIP project areas were merged in 2003, and the combined areas can incur a maximum of \$210,000,000 in bonded debt, receiving no more than \$691,000,000 in tax increment during the life of the merged (and amended) Redevelopment Plan. Under the 1998 plan, the Alameda Point Improvement Project Area (the APIP Plan), the Commission can incur a maximum indebtedness of \$190,000,000 receiving no more than \$780,000,000 in tax increment through 2046.

The primary source of funds, other than advances from the City and bond proceeds, is derived from property tax increments, which are allocated in the following manner:

- a) The assessed valuation of all property within a Project Area is "frozen" on the date of adoption of the Plan.
- b) Property taxes related to any incremental increase in assessed values after adoption of the Plan are allocated to the CIC, and other taxing authorities receiving taxes from the Project Area. All taxes on the base ("frozen") assessed valuation of the property are allocated to the City and the other taxing entities in original proportion of the tax rate area at the time the Project Area was adopted.

The Commission has no power to levy and collect taxes; any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues available to pay principal and interest on indebtedness.

The Commission functions as an independent legal entity. The policies are determined by members of the City Council in their capacity as board members of the Commission. All staff work is performed by officials, staff or consultants of the City.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. BACKGROUND AND PROJECT AREAS, Continued

B. Project Areas

West End Community Improvement Project (WECIP)

In July 1983 the City Council approved the WECIP Redevelopment Project Area, which is located adjacent to and south of the Oakland Estuary, and east of Webster Street and the Webster Street Tube (as well as right of way contained in the commercial business street, known as Webster Street). The Project Area is an irregularly shaped area of approximately 256 acres of public and private land, divided into two segments separated by Constitution Way. The majority of the project area contains the 206 acre Marina Village Assessment District.

The Commission has an Owner Participation Agreement extending through 2014 by which it refunds a portion of Alameda Marina Village Assessment District property tax increment to the Alameda Marina Village property owners, as a partial offset of their assessment liability. These refunds have been reported as expenditures in the West End Community Improvement Project Area Special Revenue Fund and totaled \$723,611 for FY 09-10. As a result of the 2003 merger of the BWIP and WECIP project areas, the WECIP area, with no previously negotiated pass-through payments, became subject to AB 1290 pass-through payments. Payments of these pass-throughs amounted to \$127,974 at June 30, 2010.

The assessed valuation of real property within the West End Community Improvement Project Area was \$518,101,608 at June 30, 2010.

Business and Waterfront Improvement Project (BWIP)

In 1991 the Commission approved the Community Improvement Plan for the BWIP Project Area, which is an irregularly shaped area of approximately 756 acres of public and private land.

As part of the Community Improvement Plan adoption, the Commission entered into Pass-Through Agreements with various taxing entities, which require the Commission to pass through portions of Project Area property tax increment to each taxing entity. In certain cases the Commission retains these pass-through payments until certain projects have been identified. Payments under these pass-through agreements totaled \$1,786,660 for FY 09-10. At June 30, 2010, the Commission held a total of \$92,957, representing funds held on demand in deposit accounts on behalf of the East Bay Regional Park District, and \$338,551 held on demand in a deposit account on behalf of the Alameda Unified School District.

The assessed valuation of real property in the Business and Waterfront Improvement Project Area was \$1,255,213,083 at June 30, 2010.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. BACKGROUND AND PROJECT AREAS, Continued

B. Project Areas, Continued

Alameda Point Improvement Project

In 1998, the Commission adopted the Community Improvement Plan for the Alameda Point Improvement Project (APIP), approximately 2,688 acres of land and water comprised of the former Alameda Naval Air Station and a portion of the Fleet Industrial Supply Center (FISC). The APIP was created after fundamental changes in state law. Assembly Bill 1290 changed the financing structure of redevelopment areas by eliminating negotiated pass-through agreements on a case-by-case basis in favor of pass-throughs made based on a pre-determined, legislatively set formula for all redevelopment areas statewide. Payments under these pass-through agreements totaled \$66,605 for FY 09-10.

The assessed valuation of real property in APIP was \$25,806,032 at June 30, 2010.

Merged Area Plan

In March 2003 the Merger/ Amendment Plans for BWIP and WECIP were approved. The changes allow the Commission additional legal and financial resources to better alleviate blight conditions and promote economic development in both areas. The revisions to each plan include an APIP/BWIP boundary adjustment to consolidate the East Housing site, which was previously located in the APIP, into the BWIP (exchange area). The fiscal merger of the WECIP and the BWIP was completed to enable funds from the WECIP to be used in the BWIP, and the funds from the BWIP to be used in the WECIP, to alleviate blight. Also, the minor technical amendments, such as extending eminent domain authority and re-establishing it in BWIP and WECIP, may assist the CIC in more effectively implementing its programs through site assemblage to alleviate adverse physical and economic conditions. Ultimately, both areas will become fiscally stronger and better able to eliminate blight.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Property Tax Increment

Alameda County assesses properties, bills, and collects property taxes, (less 2% pass-through payments (HSC 33676) if applicable to a project area) and distributes the taxes to the Commission. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Property Tax Increment, Continued

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Commission in the fiscal year they are assessed, provided they become available as defined above.

B. Basis of Presentation

The Commission's Component Unit Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.

These standards require that the financial statements described below be presented.

Commission-Wide Statements

The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Commission government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's various funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Commission considers all its funds to be major funds.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The Commission has elected to treat all of its funds as major funds.

C. Major Funds

West End Community Improvement Project Area Community Improvement Fund

This fund accounts for the non-housing property tax increment proceeds and associated redevelopment project costs for the West End Community Improvement Project Area.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Major Funds, Continued

West End Community Improvement Project Area Community Improvement Fund, Continued

Revenues for this fund primarily consist of property tax increment; expenditures include pass-through obligations, project related and general government expenses.

West End Community Improvement Project Area Low and Moderate Income Housing Fund

This fund accounts for the required twenty percent low and moderate income housing set-aside from the property tax increment proceeds generated from the West End Community Improvement Project Area and related expenditures.

Revenues for this fund primarily consist of property tax increment set aside; expenditures include rental subsidies to the Independence Plaza senior living apartment complex, project related and general government expenses.

Business and Waterfront Improvement Project Area Community Improvement Fund

This fund accounts for the non-housing property tax increment proceeds and associated redevelopment projects costs for the Business and Waterfront Improvement Project Area.

Revenues for this fund primarily consist of property tax increment; expenditures include pass-through obligations, project related and general government expenses

Business and Waterfront Improvement Project Area Low and Moderate Income Housing Fund

This fund accounts for the required twenty percent low and moderate income housing set-aside from the tax increment proceeds generated from the Business and Waterfront Improvement Project Area and related expenditures, as well as related developer in-lieu fees and bond proceeds.

Revenues primarily consist of property tax increment set-aside funds. This fund's expenditures include housing rental assistance for Independence Plaza and general government expenses.

Alameda Point Community Improvement Project Area Community Improvement Fund

This fund accounts for the non-housing associated redevelopment project costs for the Alameda Point Improvement Project Area.

Revenues primarily consist of property tax increment; expenditures include pass-through obligations and general government expenses.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Major Funds, Continued

Alameda Point Community Improvement Project Area Low and Moderate Income Housing Fund

This fund accounts for the required twenty percent low and moderate income housing set-aside from the property tax increment proceeds generated from the Alameda Point Improvement Project Area and related expenditures.

Revenues primarily consist of property tax increment set-aside; expenditures primarily include general government expenses.

Theatre/Parking Structure Project Special Revenue Fund

This fund accounts for funding resources and expenditures for the reconstruction of the Historic Alameda Theatre and the construction of the multi-story Civic Center garage.

The fund's primary funding source consisted of proceeds from the CIC 2003 WECIP Subordinate Tax Allocation Bond and a HUD Section 108 loan. Expenditures include two loans (\$2.8 million of which \$1.4 million will be repaid with percentage rent and \$1.4 million due to pay in year 7 after retirement of a furniture, fixtures, and equipment (FFE) Loan, construction costs for the projects and administrative expenses.

Community Improvement Commission Subordinate Tax Allocation Bonds BWIP Debt Service Fund

Bonds were issued on March 14, 2002 to finance various housing and other redevelopment purposes in accordance with the amended Community Improvement Plan for the Business and Waterfront Improvement Project. Bonds are secured by a first pledge of and lien on all tax increment revenue in the project area, except for any parity obligations.

The fund's primary funding source consists of transfers in from BWIP funds generated by the BWIP Exchange Area, and expenditures primarily consist of principal and interest payments for bond debt service.

Community Improvement Commission 2003 Tax Allocation Bonds BWIP Debt Service Fund

The 2003 CIC Tax Allocation Refunding Bonds were issued in October 2003 to refund the CIC BWIP Tax Allocation Bonds 2002, Series A. Bonds are secured by a first pledge of and lien on all tax increment revenues generated in the project area, except for any parity obligations.

The fund's primary revenue source consists of transfers in from BWIP; expenditures primarily consist of principal and interest payments for bond debt service.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Major Funds, Continued

Community Improvement Commission 2003 Tax Allocation Bonds WECIP Debt Service Fund

The 2003 Community Improvement Commission Subordinate Tax Allocation Bonds were issued December 2003 to finance certain development projects, repay an interfund loan from the City, and fulfill certain obligations contained in an Owner Participation Agreement. Bonds are secured by a first pledge of and lien on all tax increment revenue generated in the project area, except for any parity obligations.

The fund's primary revenue source consists of transfers in from the WECIP Community Improvement fund; expenditures primarily consist of principal and interest payments for bond debt service.

D. Basis of Accounting and Measurement Focus

The Commission-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flow takes place.

Governmental funds are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Commission considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property tax increment and interest income.

Non-exchange transactions, in which the Commission gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission may fund programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Commission's policy is first to apply restricted grant resources to such programs, followed by general revenues, if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Budgets and Budgetary Accounting

The Commission annually adopts a budget for its special revenue funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed revenues and expenditures become appropriations. The Commission may amend the budget during the fiscal year. The Commission's Executive Director or his or her designee is authorized to transfer budgeted amounts within the fund; however, any revisions that alter the total expenditures must be approved by the Commission. All appropriations lapse at year end.

The annual budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America.

3. CASH AND INVESTMENTS

The Commission's cash, except cash on deposit with fiscal agents, is included in the City's cash and investment pool. Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investments are carried at fair value.

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Commission's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Commission's name and places the Commission ahead of general creditors of the institution.

The Commission and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the Commission employs the Trust Department of a bank as the custodian of certain Commission managed investments, regardless of form.

The Commission's investments are carried at fair value, as required by generally accepted accounting principles. The Commission adjusts the carrying value of its investments to reflect their fair value at fiscal year end, and includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Commission debt instruments or agency agreements.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

B. Classification, Continued

Cash and investments as of June 30, 2010 were presented on the Statement of Net Assets are as follows:

Cash and investments available for operations	\$ 16,822,632
Restricted cash and investments	9,974,899
Total Commission cash and investments	\$ 26,797,531

Cash and investments as of June 30, 2010 are composed of the following categories:

Investments	\$ 26,797,531
Total Commission cash and investments	\$ 26,797,531

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow the Commission to invest in the following, provided the credit ratings of the issuers are acceptable to the Commission, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's investment policy where the City's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Repurchase Agreements	270 Days	N/A	20%	No limit
California Local Agency Investment Fund (LAIF)	Upon demand	N/A	\$50,000,000 per account	\$50,000,000 per account
US Treasury Bonds, Notes and Bills	5 years	N/A	No limit	No limit
US Agency and US Government-Sponsored Enterprise Securities	5 years	N/A	75%	25% in each US Agency
Bankers' Acceptances	180 days	N/A	30%	30%
Commercial Paper	270 days	A1, P1	25%	No limit
Negotiable Certificates of Deposit	5 years	AA	30%	No limit
Time Certificates of Deposit	5 years	N/A	30%	No limit
Medium-Term Corporate Notes	5 years	A	30%	No limit
Money Market Mutual Funds	N/A	AAA	20%	No limit
County Agency Investment Fund	Upon demand	N/A	15%	No limit
California Asset Management Program (CAMP)	Upon demand	N/A	No limit	No limit

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

D. Investments Authorized by Debt Agreements

The Commission must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Commission fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Commission ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Enterprise Securities	No limit	No limit	No limit	No limit
State Obligations	No limit	Not lower than their bond rating	No limit	No limit
Commercial Paper	270 days	A-1+	No limit	No limit
Negotiable Certificates of Deposit	No limit	N/A	No limit	No limit
Time Certificates of Deposit	No limit	N/A	No limit	No limit
Corporate Notes and Bonds	No limit	Not lower than their bond rating	No limit	No limit
Guaranteed Investment Contracts	No limit	Not lower than their bond rating	No limit	No limit
Shares of Beneficial Interest	No limit	Top rating category	No limit	No limit
Money Market Mutual Funds	No limit	Aam	20%	No limit
Bankers' Acceptances	365 days	A-1+	30%	30%
Municipal Bonds*	No limit	AAA	No limit	No limit
California Local Agency Investment Fund (LAIF)	Upon demand	N/A	\$50,000,000 per account	\$50,000,000 per account
Investment Agreements	No limit	AA-	No limit	No limit

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

E. Interest Rate Risk

Interest rate risk is the risk that changes in the economic markets will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates.

Information about the sensitivity of the fair values of the Commission's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Commission's investments by maturity:

Investment Type	12 Months Or Less	Six to Ten Years	Total
Guaranteed Investment Contracts	\$ -	\$ 886,783	\$ 886,783
Money Market Mutual Funds	9,088,116	-	9,088,116
California Local Agency Investment Fund	16,822,652	-	16,822,652
Total investments	\$ 25,910,768	\$ 886,783	\$ 26,797,551

Through the City's investment pool, the Commission is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Commission reports its investment in LAIF at the fair value amounts provided by LAIF, which is the same as the value of the pool share. At June 30, 2010, the fair value approximated is the Commission's cost. The balance available for withdrawal on demand is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2010, these investments matured in an average of 203 days.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment when an investment matures. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2009 for each investment type as provided by Moody's:

Investment Type	AAAm	Total
Money Market Mutual Funds	9,088,116	9,088,116
Totals	\$ 9,088,116	9,088,116
Not rated:		
California Local Agency Investment Fund		16,822,652
Guaranteed Investment Contracts		886,783
Total investments		\$ 26,797,551

G. Concentration of Credit Risk

The Commission is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by Commission in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2010, the Commission did not have significant investments held by individual funds.

Additional information regarding cash and investments can be found in the City's June 30, 2010 Comprehensive Annual Financial Report.

4. LOANS RECEIVABLE

A. Housing Rehabilitations and Affordable Housing Loans

The Commission engages in programs designed to encourage construction or improvement in low to moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the Commission's terms. Some of these loans may be forgiven at the completion of the loan term if all the stipulated conditions are met. Other loans and notes are expected to be repaid in full. The balance of these loans has been offset by deferred revenue, as they are not expected to be repaid during the coming fiscal year. The balance of loans receivable arising from these programs at June 30, 2010 was \$2,907,177.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. LOANS RECEIVABLE, Continued

B. Alameda Development Corporation

During the fiscal year ended June 30, 2000, the Community Improvement Commission entered into an agreement with the Alameda Development Corporation, a non-profit corporation, to loan the corporation funds to be used to develop for-sale housing units for persons with very low and low annual incomes. The loan is secured by a deed of trust and bears interest at 5% for 59 years. In February, 2006 the loan was amended and restated to allow forgiveness and reconveyance of the loan as each unit is completed and sold to a qualified household. The balance of this loan has been offset by deferred revenue as it is not expected to be repaid during the coming fiscal year. As of June 30, 2010, the balance of the loan was \$570,000.

C. Multiplex Cinema

As part of a Disposition and Development Agreement as discussed in Note 10C, the Community Improvement Commission entered into a loan agreement with Alameda Entertainment Associates, L.P. in March 2007 for \$2,800,000 for the renovation of the Historic Alameda Theatre and development of a new multiplex cinema. Repayment of \$1,400,000 of this loan will begin in the seventh operating year for twenty years with equal monthly installments. The remaining \$1,400,000 will be repaid by percentage rental amounts from gross operating revenues as established in the Disposition and Development Agreement. An additional loan agreement for \$300,000 was entered into by both parties for furniture fixture and equipment purchases as part of the renovation project. As of June 30, 2010, the Commission has loans outstanding with Alameda Entertainment Associates totaling \$3,003,017.

5. INTERFUND ADVANCES

The City has advanced \$1,258,995 to the Alameda Point Community Improvement Project Area Community Improvement Fund. The above advances are to be repaid in future years from the proceeds of property tax increment as funds become available. These advances bear interest at 6% for FY 09-10.

The Sewer Enterprise Fund advanced \$3,000,000 to the Business and Waterfront Improvement Project Area Community Improvement Fund as matching funds for construction of the Webster Street/Wilver "Willie" Stargell Avenue Intersection Project. The advance bears interest at 3%. The advance is expected to be repaid by April 2014.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. INTERFUND TRANSFERS TO AND FROM THE CITY

A. Transfers Between Funds

With Commission approval, resources may be transferred from one fund to another. Transfers between funds during the fiscal year ended June 30, 2010 were as follows:

Fund Receiving Transfers	Fund Making Transfer	Amount Transferred
Business and Waterfront Improvement Project Area Special Revenue Fund	Theatre/Parking Structure Project Special Revenue Fund	\$ 164,414
Community Improvement Commission Subordinate Tax Allocation Bonds BWIP Fund	Business and Waterfront Improvement Project Area Community Improvement Fund	848,769
Community Improvement Commission 2003 Tax Allocation Bonds BWIP Fund	Business and Waterfront Improvement Project Area Community Improvement Fund	198,240
Community Improvement Commission 2003 Tax Allocation Bonds BWIP Fund	Business and Waterfront Improvement Project Area Low and Moderate Income Housing Fund	206,000
Community Improvement Commission 2003 Tax Allocation Bonds WECIP Fund	West End Community Improvement Project Area Community Improvement Fund	2,739,349
		<u>\$ 4,156,772</u>

B. Transfers To and From the City

During the fiscal year ended June 30, 2010, the Commission made cash transfers of \$2,070,836 to reimburse the City for housing-in-lieu fees, capital expenditures for infrastructure improvements and its pro rata share of operating expenditures incurred on behalf of the Commission, as determined by the City's approved Cost Allocation Plan.

During the fiscal year ended June 30, 2010, the City made cash transfers of \$256 to reimburse the Commission for ongoing Commission projects. The Alameda Reuse and Redevelopment Authority (ARRA) also made cash transfers of \$854,084 to reimburse the Commission for debt service payments.

7. LOW AND MODERATE INCOME HOUSING GRANTS

Between 1985 and 1989, the Commission expended \$1,114,065 in low and moderate income housing grants to Marina Village for the creation of affordable rental and for-sale housing. The for-sale housing grants allow low - and - moderate-income homeowners to acquire property at an affordable cost. Repayment of the grant is not required, provided the homeowner maintains the residence throughout the life of the Redevelopment Plan, or the homeowner sells the property to another buyer who qualifies under low - and - moderate-income rules, in which case the grant is transferred to the new buyer. The Commission did not record these grants as receivables because management believes repayment of the grants is unlikely.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to allocate the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until such time as the asset is fully depreciated.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

A. Capital Asset Activities:

Capital assets at June 30 comprise:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 811,120	\$ -	\$ -	\$ 811,120
Total capital assets not being depreciated	<u>811,120</u>	<u>-</u>	<u>-</u>	<u>811,120</u>
Capital assets, being depreciated:				
Building	19,170,491	-	-	19,170,491
Total capital assets being depreciated	<u>19,170,491</u>	<u>-</u>	<u>-</u>	<u>19,170,491</u>
Less accumulated depreciation:				
Building	(215,688)	(239,631)	-	(455,319)
Total accumulated depreciation	<u>(215,688)</u>	<u>(239,631)</u>	<u>-</u>	<u>(455,319)</u>
Governmental activity capital assets	<u>\$ 19,765,923</u>	<u>\$ (239,631)</u>	<u>\$ -</u>	<u>\$ 19,526,292</u>

B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. LONG-TERM DEBT

The Commission's long-term debt issues and transactions were as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
1992 Revenue Bonds	\$ 1,295,000	\$ -	\$ (150,000)	\$ 1,145,000
2002 Series A & B Subordinate Taxable Tax Allocation Bonds	2,290,000	-	(675,000)	1,615,000
2003 Tax Allocation Refunding Bonds, Series	17,455,000	-	(465,000)	16,990,000
2003 Tax Allocation Bonds, Series A1, A2 & B	46,155,000	-	(75,000)	46,080,000
Total bonds	67,195,000	-	(1,365,000)	65,830,000
2006 CRA/ERAF Loan Program	530,000	-	(65,000)	465,000
HUD Section 108 Loan	7,000,000	-	(152,000)	6,848,000
Total	\$ 74,725,000	\$ -	\$ (1,582,000)	\$ 73,143,000

A. 1992 Revenue Bonds

On April 1, 1992, the Alameda Public Financing Authority issued revenue bonds in the principal amount of \$2,740,000. Proceeds from the bond sale were used to refund the West End Improvement Project 1985 Tax Allocation Bonds. Commission tax increment revenue is pledged as repayment for these bonds. Principal and interest are payable semi-annually, each April 1 and October 1 through 2016.

The pledge of future tax increment revenues ends upon repayment of the \$1,671,380 in remaining debt service on the Commission's Revenue Bonds, scheduled to occur in 2016. As disclosed in the bond indenture originating offering documents, pledged future tax increment revenues are expected to provide coverage over debt service of 2.5 over the life of the Bonds. For FY 09-10, tax increment revenues amounted to \$1,058,711, which represented coverage of 4.45 from the \$238,060 in current year debt service.

B. 2002 Subordinate Taxable Tax Allocation Bonds, Series A & B

On March 1, 2002, the Community Improvement Commission issued Tax Allocation Bonds in the principal amount of \$4,640,000. Bond proceeds were used to repay a loan from the City to the Community Improvement Commission related to the Commission's Business and Waterfront Improvement Project. The bonds are payable from tax increment revenues received by the project area. Principal and interest are payable semi-annually on February 1 and August 1 through February 2012.

The pledge of future tax increment revenues ends upon repayment of the \$2,652,107 in remaining debt service on the Tax Allocation Bonds, scheduled to occur in 2012. As disclosed in the bond indenture, pledged future tax increment revenues are expected to provide coverage over debt service of 1.25 over the life of the Bonds. For FY 09-10, tax increment revenues amounted to \$7,903,570, which represented coverage of 9.31 over the \$848,769 in current year debt service.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. LONG-TERM DEBT, Continued

C. 2003 Community Improvement Commission Tax Allocation Refunding Bonds

On October 1, 2003, the Community Improvement Commission issued Tax Allocation Refunding Bonds related to the Business and Waterfront Improvement Area in the principal amount of \$18,535,000, with Series 2003 C issued in the amount of \$17,510,000 and Series 2003 D in the amount of \$1,025,000. The proceeds were used to retire the 2002 Financing Authority Variable Rate Revenue Bonds. The Bonds are payable from tax increment revenues receivable by the Project Area. Principal is payable annually on February 1, with interest payable semi-annually on February 1 and August 1 through February 2032.

D. 2003 Community Improvement Commission Tax Allocation Bonds

On December 1, 2003, the Community Improvement Commission issued Series 2003 A1 and A2 Tax Allocation Bonds in the principal amount of \$37,390,000 and Series 2003 B Subordinated Tax Allocation Bonds in the principal amount of \$9,205,000, for a total original principal amount of \$46,595,000, for the Commission's merged improvement areas. The proceeds were used to finance certain redevelopment projects, to repay a loan of \$2,200,000 for the project area, and to finance \$12,200,000 of demolition costs incurred in the project area. The Series 2003 A1 and A2 are secured by a pledge of certain tax increment revenues for the Merged Project Area. The Series 2003 B are secured by a subordinate pledge of tax revenues. Interest is payable semiannually on March 1 and September 1 through 2033; principal is payable annually on March 1 through 2033.

As disclosed in the official statements of the 2003 Community Improvement Commission Tax Allocation Refunding Bonds and 2003 Community Improvement Commission Tax Allocation Bonds, the two bond issues are considered parity bonds. The pledge of future tax increment revenues ends upon repayment of the \$119,200,776 in remaining debt service on the Community's Tax Allocation Bonds, scheduled to occur in 2033. As disclosed in the bond indenture, pledged future tax increment revenues are expected to provide coverage over debt service of 1.1 over the life of the Bonds. For FY 09-10, tax increment revenues amounted to \$2,117,422, which represented coverage of 1.56 over the \$1,353,860 in current year debt service.

E ERAF Loan Program

In April 2007, the Community Improvement Commission borrowed \$695,000 from the California Statewide Communities Development Authority to pay for Educational Revenue Augmentation Fund (ERAF) payments due to Alameda County. Both principal and interest payments are made semi-annually on November and March through March 2016.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. LONG-TERM DEBT, Continued

F. HUD Section 108 Loan

On January 5, 2006, the City entered into an agreement to borrow \$7,000,000 from the Housing and Urban Development Department. In September 2006, the City drew down \$4,000,000 for the construction of the Alameda Theater Garage Project. In August 2007, the City drew down an additional \$3,000,000 for the same project. Principal and interest payments of both loans are due semi-annually in August and February through 2027. Repayments of the loans are funded by a BEDI (Brownfields Economic Development Initiative) grant, parking garage and retail and cinema lease revenues.

G. Debt Service Requirements

Annual debt service requirements for the Commission's long-term debt are shown below:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,722,000	\$ 4,040,369	\$ 5,762,369
2012	1,867,000	3,936,191	5,803,191
2013	2,024,000	3,821,093	5,845,093
2014	2,114,000	3,725,016	5,839,016
2015	2,236,000	3,617,100	5,853,100
2016-2020	12,238,000	16,256,695	28,494,695
2021-2025	16,705,000	12,528,332	29,233,332
2026-2030	21,572,000	7,348,836	28,920,836
2031-2033	12,665,000	1,584,865	14,249,865
Total	\$ 73,143,000	\$ 56,858,497	\$ 130,001,497

10. DEBT SERVICE REQUIREMENTS

A. Bayport/Alameda Landing

The Community Improvement Commission (CIC) and Master Developer (as discussed in Note 11 below) entered into a Disposition and Development Agreement (DDA) dated June 16, 2000, as amended, to redevelop the former U.S. Navy East Housing, Fleet Industrial Supply Center Annex (FISCA), and Fleet Industrial Supply Center (FISC). Pursuant to the DDA, the Commission agreed to convey to the Master Developer, and the Master Developer agreed to acquire from the CIC, the Property, in Phases, under the Terms and Conditions set forth in the DDA. In December 2006, the CIC approved an amendment to the 2000 DDA reducing the scope of that DDA to East Housing and FISCA only (the Bayport Project), and approved a new DDA for the FISC property (the Alameda Landing Project). Therefore, there is one master developer pursuant to the 2000 DDA and a different master developer redeveloping Alameda Landing pursuant to the 2006 DDA.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. DEBT SERVICE REQUIREMENTS, Continued

A. *Bayport/Alameda Landing, Continued*

Bayport involves the development of approximately 115 acres of land at the former East Housing and FISC property. Approved land uses include the development of 586 units of new residential housing, a joint use community park and a school. The inclusion of 25 percent affordable housing is in accordance with a requirement of a Settlement Agreement by and between the City, Renewed Hope Housing Advocates and Arc Ecology. Construction is completed on all 495 ownership units. Fifty-eight of the 495 ownership units at Bayport are affordable to moderate income households; fifty-two units of new rental housing for very-low and low-income households were completed in 2006. An additional 39 units of housing affordable to very-low and low-income families is substantially complete. Bayport has generated approximately \$28.5 million in net revenues from land sales proceeds. It is estimated that Bayport will generate a tax allocation bonding capacity of approximately between \$9,000,000 and \$10,500,000 supported by new tax increment generated by the Project, and generate \$19,300,000 in residential profit participation and approximately \$5,000,000 in reimbursements. These revenues will be used to pay for the Commission's obligations under the DDA, which total approximately \$75,100,000 and include demolition and the construction of major backbone infrastructure to support the Bayport project.

Alameda Landing is an approved mixed-use commercial/residential project including 300 residential units, of which 25 percent are affordable units, 300,000 square feet of retail space, 400,000 square feet of office space, parks and open space, and associated infrastructure.

In December 2007, the City Council and Community Improvement Commission approved an amendment to the DDA with Palmtree Acquisition Corporation (PAC) to modify the wharf design, among other changes.

On June 3, 2008, the City Council and Community Improvement Commission approved a second amendment to the Disposition and Development Agreement with PAC for redevelopment of the former Fleet Industrial Supply Center for the Alameda Landing project. The amendment also allows for the early expenditure of funds to secure the Stargell Avenue and Union Pacific rights of way. The expenditure is approximately \$10,000,000.

B. *Bridgeside Shopping Center Project*

In fiscal year 2004, the City entered into an agreement with Regency Realty Group, Inc. (Developer) to develop the Bridgeside Shopping Center Project into an approximately 108,000 square foot addition to a new shopping center consisting of both retail space and office space. As of June 30, 2008, the Developer had completed construction of the project. In addition, as part of the Project, the Developer constructed a gas station and a car wash. Under this agreement, the Developer must expend construction costs of no less than \$10,000,000.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. DEBT SERVICE REQUIREMENTS, Continued

B. Bridgeside Shopping Center Project, Continued

As part of the agreement, the Developer purchased the shopping center property from the Community Improvement Commission for the price paid to the owner by the Community Improvement Commission, plus \$170,000 in acquisition-related expenses. In return, the Community Improvement Commission will reimburse the Developer up to \$1,000,000 at 8% for certain acquisition costs in excess of \$7,000,000 from new tax increment generated from the Center. Groundbreaking was held on November 14, 2005. The Center held a grand opening February 21, 2007, for the center's major anchor tenant, Nob Hill Grocery Store. The Nob Hill gas station opened in summer 2007. A payment of \$273,677 was made toward the \$1,000,000 obligation as of June 30, 2010, with a remaining outstanding balance of \$597,929.

C. Downtown Historic Theatre Complex and Parking Garage Project.

On October 16, 2004, the Community Improvement Commission entered into a Disposition and Development Agreement (DDA) and a ground lease with Alameda Entertainment Associates Incorporated for the development of the Historic Alameda Theatre and related Cineplex and parking garage. The developer entered into an Option Purchase Agreement for one parcel of land to be used as the site of the project on Central and Oak Avenues in Alameda. As part of the DDA, the Community Improvement Commission entered into a loan agreement with the Alameda Entertainment Associates L.P., as discussed on Note 4C. In FY 04-05, the Community Improvement Commission purchased the land for the site of the project in accordance with the assigned purchase option for \$811,120. In FY 05-06, the Community Improvement Commission acquired the historic theatre by eminent domain. Project construction was completed in FY 07-08. There were also construction expenses in FY 09-10 resulting from loan disbursement to Alameda Entertainment Associates for the improvement of the Alameda Theatre balcony, reimbursement of tenant improvements for the Burgermeister restaurant pursuant to the lease between the CIC and Burgermeister, and payment of expenditures for final renovation improvements.

11. FLEET INDUSTRIAL SUPPLY CENTER (FISC)

As of June 30, 2010, all 485 residential lots in the former East Housing and FISCA have been transferred to the Master Developer. In addition, ten lots, with affordable townhomes, have been sold to moderate-income households. Two lots, containing 52 units (completed) and 39 units of rental housing affordable to very-low and low-income families, have been conveyed to the Housing Authority. The remaining land in the former FISC property has been re-entitled, pursuant to a December 2006 Disposition and Development Agreement. This property has been re-entitled for a mix of commercial, retail and development uses.

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

12. NET ASSETS AND FUND BALANCE (DEFICIT)

A. Net Assets

Net Assets is the excess of all Commission assets over all its liabilities, regardless of fund. Net Assets are divided into two captions, determined at the Commission-wide level, and are described below:

Restricted describes that portion of Net Assets restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Commission cannot unilaterally alter. These primarily include debt service requirements and redevelopment funds restricted to low-and-moderate income purposes.

Unrestricted describes the portion of Net Assets (Deficit) which has no specific restrictions on it. As a result of specific restrictions on net assets as described above and outstanding debt the Commission has a net deficit for the year ended June 30, 2010.

B. Fund Balance

Fund balance consists of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

C. Fund Deficits

The Alameda Point Improvement Project Area Community Improvement Fund has a fund deficit in the amount of \$1,762,495 at June 30, 2010.

13. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following funds had departmental expenditures in excess of budget. Sufficient fund balances were available to fund these expenditures:

Fund	Appropriations	Expenditures	Excess
Special Revenue Fund:			
WECIP Community Improvement	\$ 2,277,300	\$ 3,171,879	\$ (894,579)
BWIP Community Improvement	4,451,110	4,699,702	(248,592)
APIP Community Improvement	125,160	674,761	(549,601)
Debt Service Fund:			
Subordinate TAB BWIP	848,770	848,820	(50)
2003 TAB BWIP	1,258,300	1,258,634	(334)
2003 TAB WECIP	2,759,640	2,764,869	(5,229)

Community Improvement Commission of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. RISK MANAGEMENT

The City and Commission participate in public entity risk pools which provide coverage against liability and workers' compensation claims. Coverage and terms are discussed in the City's Comprehensive Annual Financial Report at Note 12.

15. COMMITMENTS AND CONTINGENCIES

The Commission participates in several Federal and State grant programs. These programs have been audited by the Commission's independent accountants in accordance with the provisions of the Federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Commission expects such amounts, if any, to be immaterial.

The Commission is subject to litigation arising in the normal course of business. In the opinion of the Commission's General Counsel, there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Commission.

16. PRIOR PERIOD ADJUSTMENT

Government-Wide Financial Statements:

During the fiscal year 2010 the Commission recorded a prior period adjustment to correct accounting errors related to recording of loans receivable.

	Net Assets, as Previously Reported	<u>Prior Period Adjustment</u> Revenue	Net Assets, as Restated
Governmental Activities	<u>\$ (29,757,202)</u>	<u>\$ 902,416</u>	<u>\$ (28,854,786)</u>

As a result of the correction in accounting for loans receivable, revenue for the year ended June 30, 2009 was increased by \$902,416.

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REQUIRED SUPPLEMENTARY INFORMATION

Community Improvement Commission of the City of Alameda
Required Supplementary Information
For the year ended June 30, 2010

1. BUDGETS AND BUDGETARY ACCOUNTING

The Commission annually adopts a budget for its special revenue funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed revenues and expenditures become appropriations. The Commission may amend the budget during the fiscal year. The Commission's Executive Director or his or her designee is authorized to transfer budgeted amounts within the fund; however, any revisions that alter the total expenditures must be approved by the Commission. All appropriations lapse at year end.

The annual budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America.

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - West End Community Improvement Project Area
Community Improvement Special Revenue Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax increment	\$ 4,120,000	\$ 4,120,000	\$ 4,234,843	\$ 114,843
Use of money and property	73,000	73,000	13,200	(59,800)
Miscellaneous	-	-	2	2
Total revenues	4,193,000	4,193,000	4,248,045	55,045
EXPENDITURES:				
Current:				
General government	518,310	518,310	527,483	(9,173)
Development services	411,000	411,000	96,208	314,792
Marina Village tax increment refunds	742,900	742,900	723,611	19,289
Pass-through obligations (ERAF)	557,320	557,320	1,776,809	(1,219,489)
Debt service:				
Principal	32,500	32,500	32,500	-
Interest	15,270	15,270	15,268	2
Total expenditures	2,277,300	2,277,300	3,171,879	(894,579)
REVENUES OVER (UNDER) EXPENDITURES	1,915,700	1,915,700	1,076,166	839,534
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,759,640)	(2,759,640)	(2,739,349)	20,291
Transfers from the City of Alameda	-	-	256	256
Transfers to the City of Alameda	(256,730)	(256,730)	(256,740)	(10)
Total other financing sources (uses)	(3,016,370)	(3,016,370)	(2,995,833)	20,537
Net change in fund balance	\$ (1,100,670)	\$ (1,100,670)	(1,919,667)	\$ (818,997)
FUND BALANCE:				
Beginning of year			6,417,169	
End of year			\$ 4,497,502	

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - West End Community Improvement Project Area
Low and Moderate Housing Special Revenue Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax increment	\$ 1,030,000	\$ 1,030,000	\$ 1,058,711	\$ 28,711
Use of money and property	2,000	2,000	-	(2,000)
Total revenues	<u>1,032,000</u>	<u>1,032,000</u>	<u>1,058,711</u>	<u>26,711</u>
EXPENDITURES:				
Current:				
General government	48,860	48,860	61,789	(12,929)
Housing development costs	125,000	60,435	-	60,435
Rental subsidy	714,000	778,565	778,565	-
Debt service:				
Principal	150,000	150,000	150,000	-
Interest	88,060	88,060	88,060	-
Total expenditures	<u>1,125,920</u>	<u>1,125,920</u>	<u>1,078,414</u>	<u>47,506</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(93,920)</u>	<u>(93,920)</u>	<u>(19,703)</u>	<u>(74,217)</u>
OTHER FINANCING SOURCES (USES):				
Transfers to the City of Alameda	(52,880)	(52,880)	(52,896)	(16)
Total other financing sources (uses)	<u>(52,880)</u>	<u>(52,880)</u>	<u>(52,896)</u>	<u>(16)</u>
Net change in fund balance	<u>\$ (146,800)</u>	<u>\$ (146,800)</u>	<u>(72,599)</u>	<u>\$ 74,201</u>
FUND BALANCE:				
Beginning of year			<u>494,400</u>	
End of year			<u>\$ 421,801</u>	

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Business and Waterfront Improvement Project Area
Community Improvement Special Revenue Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax increment	\$ 7,983,200	\$ 7,983,200	\$ 7,903,570	\$ (79,630)
Use of money and property	27,500	27,500	80,138	52,638
Revenue from other agencies	-	-	121,217	121,217
Miscellaneous	11,000	-	8,118	8,118
Total revenues	8,021,700	8,010,700	8,113,043	102,343
EXPENDITURES:				
Current:				
General government	995,470	995,470	729,198	266,272
Development services	458,600	750,690	721,387	29,303
Pass-through obligations (ERAF)	2,657,180	2,657,180	3,201,349	(544,169)
Debt service:				
Principal	32,500	32,500	32,500	-
Interest	15,270	15,270	15,268	2
Total expenditures	4,159,020	4,451,110	4,699,702	(248,592)
REVENUES OVER (UNDER) EXPENDITURES	3,862,680	3,559,590	3,413,341	146,249
OTHER FINANCING SOURCES (USES):				
Transfers in	-	164,414	164,414	-
Transfers out	(3,345,010)	(3,995,763)	(1,047,009)	2,948,754
Transfers to the City of Alameda	(281,910)	(281,910)	(1,681,904)	(1,399,994)
Total other financing sources (uses)	(3,626,920)	(4,113,259)	(2,564,499)	1,548,760
Net change in fund balance	\$ 235,760	\$ (553,669)	848,842	\$ 1,402,511
FUND BALANCE:				
Beginning of year			1,433,630	
End of year			<u>\$ 2,282,472</u>	

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Business and Waterfront Improvement Project Area
Low and Moderate Housing Special Revenue Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax increment	\$ 1,945,600	\$ 1,945,600	\$ 1,975,893	\$ 30,293
Use of money and property	44,500	44,500	121,106	76,606
Total revenues	1,990,100	1,990,100	2,096,999	106,899
EXPENDITURES:				
Current:				
General government	96,330	96,330	161,822	(65,492)
Housing development costs	745,000	745,000	148,717	596,283
Total expenditures	841,330	841,330	310,539	530,791
REVENUES OVER (UNDER) EXPENDITURES	1,148,770	1,148,770	1,786,460	(637,690)
OTHER FINANCING SOURCES (USES):				
Transfers out	(170,495)	(206,000)	(206,000)	-
Transfers to the City of Alameda	(27,792)	(393,087)	(46,272)	346,815
Total other financing sources (uses)	(198,287)	(599,087)	(252,272)	346,815
Net change in fund balance	\$ 950,483	\$ 549,683	1,534,188	\$ 984,505
FUND BALANCE:				
Beginning of year			6,296,227	
End of year			\$ 7,830,415	

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Alameda Point Community Improvement Project Area
Community Improvement Special Revenue Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax increment	\$ 208,670	\$ 208,670	\$ 257,500	\$ 48,830
Total revenues	<u>208,670</u>	<u>208,670</u>	<u>257,500</u>	<u>48,830</u>
EXPENDITURES:				
Current:				
General government	30,060	30,060	42,804	(12,744)
Pass-through obligations (ERAF)	68,380	68,380	526,424	(458,044)
Debt service:				
Interest	26,720	26,720	105,533	(78,813)
Total expenditures	<u>125,160</u>	<u>125,160</u>	<u>674,761</u>	<u>(549,601)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>83,510</u>	<u>83,510</u>	<u>(417,261)</u>	<u>500,771</u>
OTHER FINANCING SOURCES (USES):				
Transfers to the City of Alameda	24,130	24,130	(24,132)	(48,262)
Total other financing sources (uses)	<u>24,130</u>	<u>24,130</u>	<u>(24,132)</u>	<u>(48,262)</u>
Net change in fund balance	<u>\$ 107,640</u>	<u>\$ 107,640</u>	<u>(441,393)</u>	<u>\$ (549,033)</u>
FUND BALANCE:				
Beginning of year			<u>(1,321,102)</u>	
End of year			<u>\$ (1,762,495)</u>	

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Alameda Point Community Improvement Project Area
Low and Moderate Housing Special Revenue Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax increment	\$ 52,170	\$ 52,170	\$ 64,375	\$ 12,205
Use of money and property	2,500	2,500	5,376	2,876
Total revenues	54,670	54,670	69,751	15,081
EXPENDITURES:				
Current:				
General government	19,110	19,110	20,969	(1,859)
Housing development costs	10,000	100,000	12,500	87,500
Total expenditures	29,110	119,110	33,469	85,641
REVENUES OVER (UNDER) EXPENDITURES	25,560	(64,440)	36,282	(100,722)
OTHER FINANCING SOURCES (USES):				
Transfers to the City of Alameda	8,900	8,900	(8,892)	(17,792)
Total other financing sources (uses)	8,900	8,900	(8,892)	(17,792)
Net change in fund balance	\$ 34,460	\$ (55,540)	27,390	\$ 82,930
FUND BALANCE:				
Beginning of year			333,210	
End of year			\$ 360,600	

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Theatre/Parking Structures Project Special Revenue Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 14,455	\$ 14,455	\$ 16,369	\$ 1,914
Other	356,347	356,347	356,772	425
Total revenues	<u>370,802</u>	<u>370,802</u>	<u>373,141</u>	<u>2,339</u>
EXPENDITURES:				
Development services	28,000	28,000	3,330	24,670
Debt Service:				
Principal	152,000	152,000	152,000	-
Interest	195,042	195,042	195,042	-
Total expenditures	<u>375,042</u>	<u>375,042</u>	<u>350,372</u>	<u>24,670</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,240)</u>	<u>(4,240)</u>	<u>22,769</u>	<u>(27,009)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(164,414)	(164,414)	(164,414)	-
Total other financing sources (uses)	<u>(164,414)</u>	<u>(164,414)</u>	<u>(164,414)</u>	<u>-</u>
Net change in fund balance	<u>\$ (168,654)</u>	<u>\$ (168,654)</u>	<u>(141,645)</u>	<u>\$ 27,009</u>
FUND BALANCE:				
Beginning of year			<u>330,518</u>	
End of year			<u>\$ 188,873</u>	

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SUPPLEMENTARY INFORMATION

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Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - Subordinate Tax Allocation Bonds BWIP Debt Service Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,000	\$ 5,000	\$ 4,598	\$ (402)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>4,598</u>	<u>(402)</u>
EXPENDITURES:				
General government	2,700	2,700	51	2,649
Debt service:				
Principal	675,000	675,000	675,000	-
Interest	173,770	173,770	173,769	1
Total expenditures	<u>848,770</u>	<u>848,770</u>	<u>848,820</u>	<u>(50)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(843,770)</u>	<u>(843,770)</u>	<u>(844,222)</u>	<u>452</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	848,770	848,770	848,769	(1)
Total other financing sources (uses)	<u>848,770</u>	<u>848,770</u>	<u>848,769</u>	<u>(1)</u>
Net change in fund balance	<u>\$ 5,000</u>	<u>\$ 5,000</u>	4,547	<u>\$ (453)</u>
FUND BALANCE:				
Beginning of year			<u>610,829</u>	
End of year			<u>\$ 615,376</u>	

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - 2003 Tax Allocation Bonds BWIP Debt Service Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 71,500	\$ 71,500	\$ 2,831	\$ (68,669)
Total revenues	71,500	71,500	2,831	(68,669)
EXPENDITURES:				
General government	3,000	3,000	310	2,690
Debt service:				
Principal	793,300	793,300	465,000	328,300
Interest	465,000	465,000	793,324	(328,324)
Total expenditures	1,258,300	1,258,300	1,258,634	(334)
REVENUES OVER (UNDER) EXPENDITURES	(1,186,800)	(1,186,800)	(1,255,803)	69,003
OTHER FINANCING SOURCES (USES):				
Transfers in	404,240	404,240	404,240	-
Transfers from ARRA	854,090	854,090	854,084	(6)
Total other financing sources (uses)	854,090	854,090	1,258,324	404,234
Net change in fund balance	\$ (332,710)	\$ (332,710)	2,521	\$ 335,231
FUND BALANCE:				
Beginning of year			1,735,105	
End of year			<u>\$ 1,737,626</u>	

Community Improvement Commission of the City of Alameda
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - 2003 Tax Allocation Bonds WECIP Debt Service Fund
For the year ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 149,000	\$ 149,000	\$ 43,249	\$ (105,751)
Total revenues	149,000	149,000	43,249	(105,751)
EXPENDITURES:				
General government	6,000	6,000	5,235	765
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	2,684,640	2,684,640	2,684,634	6
Total expenditures	2,759,640	2,759,640	2,764,869	(5,229)
REVENUES OVER (UNDER) EXPENDITURES	(2,610,640)	(2,610,640)	(2,721,620)	110,980
OTHER FINANCING SOURCES (USES):				
Transfers in	2,759,640	2,759,640	2,739,349	(20,291)
Total other financing sources (uses)	2,759,640	2,759,640	2,739,349	(20,291)
Net change in fund balance	\$ 149,000	\$ 149,000	17,729	\$ (131,271)
FUND BALANCE:				
Beginning of year			5,032,426	
End of year			<u>\$ 5,050,155</u>	

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Community Improvement Commission
of the City of Alameda
Alameda, California

We have audited the financial statements of the Community Improvement Commission (Commission) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements of the Commission are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller 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*.

Internal Control over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Members of the Community Improvement Commission
of the City of Alameda
Alameda, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commission, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Larson, Inc.

San Francisco, California
December 13, 2010

APPENDIX D
FISCAL CONSULTANT'S REPORT

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**FISCAL CONSULTANT REPORT
MERGED WECIP/BWIP PROJECT AREA
HOUSING SET-ASIDE**

Prepared for:

**COMMUNITY IMPROVEMENT COMMISSION
OF THE CITY OF ALAMEDA**

Prepared by:

**KEYSER MARSTON ASSOCIATES, INC.
55 PACIFIC AVENUE
SAN FRANCISCO, CALIFORNIA 94111**

May 2, 2011

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1.0 INTRODUCTION

Keyser Marston Associates, Inc. (KMA) has been retained as Fiscal Consultant to the Community Improvement Commission (Commission) of the City of Alameda to prepare a review of assessed values and a projection of Tax Increment and Housing Set-Aside Revenues for the Merged WECIP/BWIP Project Area (Project Area). The Commission is proposing to pledge Project Area 20% Low and Moderate Income Housing Fund revenues as security for a proposed bond issue (the proposed "2011 Bonds").

The California Community Redevelopment Law (CRL) provides for the creation of a redevelopment agency for the purpose of eliminating blight. To achieve this purpose, the CRL, along with Article 16, Section 16 of the California Constitution, authorizes the Commission to receive that portion of property tax revenue generated from the increase of the current year Project Area taxable values over the Base Year taxable values that existed at the time of the Project Area's adoption. This portion of property tax revenue is referred to as Tax Increment Revenue. The CRL requires redevelopment agencies to annually set aside 20% of all Tax Increment Revenues into a Low and Moderate Income Housing Set-Aside Fund (Housing Set-Aside Revenue). The use of these funds is restricted to preserving or adding to the stock of affordable housing. The CRL provides that Tax Increment and Housing Set-Aside Revenues may be pledged by the Commission for the repayment of Project Area indebtedness.

This Fiscal Consultant Report has been prepared to reflect Tax Increment and Housing Set-Aside Revenues based upon FY 2010-11 Project Area assessed values reported by the Alameda County Auditor-Controller. In this Report, Pledged Housing Set-Aside Revenues are net of amounts attributable to projected appeal reductions and amounts needed to pay scheduled senior bond debt service. The revenue projections reflect an extension pursuant to the Agency's election to amend certain time limitations for qualifying redevelopment plans, as allowed under SB 1045 and SB 1096. The Commission has not yet adopted the additional one year extension permitted under Health and Safety Code 33331.5.

This Fiscal Consultant Report will examine assessed valuations of the Project Area, which provide the basis from which a multi-year Housing Set-Aside Revenue projection is created. The projected taxable values and resulting Tax Increment and Housing Set-Aside Revenues for the Project Area are based on assumptions determined by a review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of Alameda County. This Report is based on assessed values reported for fiscal years through 2010-11.

2.0 REVIEW OF THE PROJECT AREA

The Project Area was established with the 2003 merger of the Commission's (1) Business and Waterfront Improvement Project (BWIP Original Area), 749 acres; (2) West End Community Improvement Project (WECIP), 225 acres; and (3) BWIP Exchange Area (deleted from the Alameda Point Improvement Project and added to the BWIP in 2003), 123 acres. The Project Area is comprised of commercial land uses (including office and retail), industrial, and residential uses.

2.1 Redevelopment Plan Time Limits

Existing redevelopment law requires the Commission to impose specific time limitations on incurrence of debt, the redevelopment plan effectiveness and the collection of tax increment revenue to repay debt. The following is a summary of the existing plan limits for the Project Area.

<i>Project Area</i>	<i>Adoption Date</i>	<i>Incurrence of Debt Time Limit</i>	<i>Effectiveness of Plan</i>	<i>Repayment of Debt Time Limit</i>
BWIP Exchange Area	4-1-03	4-1-23	4-1-34	4-1-49
BWIP Original Area	6-18-91	Eliminated	6-18-32	6-18-42
WECIP	7-5-83	Eliminated	7-5-26	7-5-36

The redevelopment plan time limits reflect amendments that have been adopted by the City Council to comply with time limits imposed under AB 1290, eliminate time limits on incurrence of debt as permitted under SB 211 (BWIP & WECIP), and extend plan effectiveness and debt repayment limits as permitted under SB 1045 (BWIP & WECIP) and SB 1096 (WECIP).

2.2 Redevelopment Plan Dollar Limits

Redevelopment project areas adopted prior to January 1, 1994 were required to establish limits on the amount of bonded indebtedness that may be outstanding at any time and limits on the amount of Tax Increment Revenue that can be received over the life of the project area. When the BWIP and WECIP projects were merged, individual limits for these project areas were combined to form the limits for the Project Area:

Project Area Bonded Indebtedness Limit: \$210,000,000
Project Area Tax Increment Revenue Limit: \$691,000,000

Tax Increment Revenue from the BWIP Exchange Area is not subject to a Tax Increment Revenue Limit since it was adopted after January 1, 1994 (and pursuant to an amendment to make technical clarifying changes to the Plans adopted by Ordinance 2999 on July 22, 2009). The Bonded Indebtedness Limit applies to all components of the Project Area inclusive of the BWIP Exchange Area.

Based on tax increment receipt records of the Commission, Tax Increment Revenue received by the Commission for BWIP Original and WECIP has totaled approximately \$137 million through FY 2009-10, representing approximately 20% of the tax increment receipt limit for the Project Area. Based upon the maximum allowable inflationary growth factor of 2% per year assumed for purposes of the Table 7.0 projection; \$507 million in Tax Increment Revenue, or 73% of the \$691 million limit is projected to be received by the Commission through the FY 2041-42 tax increment receipt time limit for BWIP Original.

If assessed values grow at a future annual rate of more than approximately 3.75% per year commencing in 2012-13 (which exceeds the growth rate assumed for purposes of the Table 7.0 projection), the \$691 million tax increment revenue limit is projected to be reached prior to the end of the last fiscal year the Commission could receive tax increment to repay debt from WECIP and BWIP Original (FY 2041-42). Between fiscal year 2005-06 and 2010-11, assessed values in BWIP Original grew at an average annual rate of approximately 6.1% per year and assessed values in WECIP grew at 0.7% representing a weighted average of 4.0% per year. This weighted average growth rate is computed without inclusion of the BWIP Exchange Area which is not subject to the tax increment dollar limit.

3.0 REVIEW OF PROJECT ASSESSED VALUES

3.1 Real and Personal Property

Real Property, as referred to in this Report includes land and improvement assessed values on both the Secured and Unsecured property tax rolls of the Alameda County Assessor. Annual increases in the assessed value of Real Property are limited to an annual inflationary increase of up to 2%, as governed by Article XIII A of the State Constitution. Real Property values are also permitted to increase or decrease as a result of a property's change of ownership or new construction activity. As discussed below, the assessed value of taxable property is subject to reduction under certain conditions.

For property tax purposes, the Proposition 13 inflation factor is subject to the State's Consumer Price Index (CPI) inflation adjustment of up to 2% per year. The CPI adjustment is based on the change in the CPI from October to October. As of the January 1, 2011 property tax lien date for FY 2011-12 the Proposition 13 property tax assessments will be increased by 0.753% (which is less than the 2% maximum increase). The annual CPI factor has been less than 2% only six other times since the enactment of Proposition 13, including FY 2010-11 when it was negative for the first time:

1983-84	1.000%
1995-96	1.194%
1996-97	1.115%
1999-00	1.853%
2004-05	1.867%
2010-11	-0.237%

The assessed value of Personal Property is not subject to any maximum inflationary increase, but is subject to annual appraisal, and may be adjusted annually either upward or downward. Non-Unitary utility properties assessed by the State Board of Equalization (SBE) also may be revalued annually and such assessments are not subject to the annual 2% inflation limitation of Article XIII A.

The Project Area assessed values are determined annually by the County Assessor and, until 1997-98, reflected a lien date of March 1. Commencing with the 1997-98 fiscal year, the property tax lien date was changed to January 1. Each property assessment is assigned a unique Assessor Parcel Number (APN) that correlates to assessment maps prepared by the County. The corresponding assessed values for each parcel are then encoded to Tax Rate Areas (TRAs) which are geographic subareas with common distribution of taxes and which are contained within the Project Area boundaries. In the Project Area, there are three TRAs: (1) TRA 21004 corresponds to the BWIP Original Area; (2) the BWIP Exchange Area corresponds to TRA 21007; and (3) TRA 21002 corresponds to WECIP.

3.2 Current Year Assessed Values

The County Auditor-Controller is responsible for the aggregation of the assessed values assigned by the Assessor for properties within the boundaries of the Project Area. This results in the reported total current year assessed value and becomes the basis for determining Tax Increment Revenues due to the Commission. The reported values of the Project Area for the 2010-11 fiscal year are as follows:

Project Area FY 2010-11 Assessed Value		
Secured Property	\$1,481,263,479	85%
Non-Unitary / Utility	\$30,717,668	2%
Unsecured Property	<u>\$221,091,808</u>	<u>13%</u>
Total Assessed Value	\$1,733,072,955	100%
Less: Base Year	<u>(\$306,632,994)</u>	
Incremental Value	\$1,426,439,961	

Secured Property includes property on which any property tax levied by the County becomes a lien on that property. Unsecured Property values reflect depreciation factors on the useful life of the tenant improvements, trade fixtures and personal property of the assessee. Unsecured possessory interest values constitute a private right to the possession and use of publicly owned property for a period of time less than perpetuity. The taxes levied on Unsecured Property are levied at the previous year's Secured Property tax rate. Real Property, as described in Section 3.1 above, corresponds to land and improvement valuation on the secured roll plus unsecured roll land value. Personal Property corresponds to personal property on the secured roll and unsecured rolls plus unsecured improvements and SBE value.

The amounts indicated above are net of tax-exempt property (except the homeowner's exemption, which is included in Commission Tax Increment Revenue). In sum, of total 2010-11 Assessed Value, 85% is Secured, 13% is Unsecured, and 2% is Non-Unitary Assessments.

The Alameda County Auditor Controller may annually revise the reported Base Year assessed values to the extent that properties within the Project Area are acquired for public uses by tax-exempt public taxing agencies. The precedent for this action stems from the 1963 case of *Redevelopment Agency of the City of Sacramento vs. Malaki*, 216 Cal.Appl.2d 480, and subsequent related cases. The Base Year for the WECIP area has been so reduced twice over the past five years: by \$97,690 in 2007-08 and by \$73,852 in FY 2009-10.

3.3 Proactive Review by Assessor for Declines in Market Value

In 1978, a Constitutional amendment was passed by the California voters (Prop 8) that provides for a temporary reduction in assessed value when the Proposition 13 value of a property exceeds its actual market value. The property owner is entitled to the lower of two

values: (1) the property's existing Proposition 13 value, which is the purchase price and/or the cost of new construction, annually adjusted for inflation not to exceed 2% per year; or (2) the property's market value as of the January 1 property tax lien date. Once this temporary reduction in assessed value has been granted by the County Assessor, the Assessor must review the property's value annually until it is fully restored to its Proposition 13 value. Depending on the market value determined by such future reviews, the assessed value may be further adjusted, left unchanged, be partially increased or be fully restored to its Proposition 13 value.

The 2010-11 assessment roll prepared by the Alameda County Assessor reflects a proactive review of assessed values County-wide relative to market with resulting reductions to assessed value under Prop 8. On a County-wide basis, the 2010-11 roll reflects a downward adjustment to approximately 22% of parcels in the County due to a general decline in market value. The County has indicated plans to conduct a similar County-wide review in preparing the 2011-12 roll.

For 2010-11, the City of Alameda assessment roll reflects an aggregate \$496 million in Prop 8 reductions across 3,899 parcels (the total 2010-11 taxable value for property in the City is \$9.3 billion). The vast majority of these Prop 8 reductions are for residential properties. For non-residential uses, Prop 8 reductions were limited to 45 parcels representing an aggregate downward adjustment of \$32 million. County database information enabling these reductions to be allocated to parcels in the Project Area was not available to KMA; however, it is noted that approximately 19% of the assessed valuation of the City is within the Project Area.

Historical Prop 8 Reductions: City of Alameda

Assessment Roll Year	Affected Parcels	Downward Adjustment to Assessed Value due to decline in market value (Prop 8)
2008-09	1,364	\$99 Million
2009-10	3,334	\$370 Million
2010-11	3,899	\$496 Million

3.4 Historic Assessed Values

The Project's historic taxable assessed values for the past five fiscal years as reported by the Alameda County Auditor-Controller have been reviewed by KMA and are shown on Table 1 and Chart A. As presented in Table 1, the Project Area's total assessed value has increased from \$1.240 billion in 2005-06 to \$1.733 billion in 2010-11, a growth in taxable value of \$493 million. The average annual increase in Project Area assessed values over the period 2005-06 to 2010-11 has been 6.9%¹.

¹ The 6.9% average annual increase referenced above is greater than the 4.0% annual increase cited in Section 2.2 as a result of the inclusion of the BWIP Exchange Area. Significant residential development occurred in the BWIP Exchange Area over the period from 2005-06 to 2010-11 which resulted in an average annual assessed value growth rate of approximately 30%.

3.5 Ten Largest Assesseees

The ten largest assesseees in the Project Area were identified by KMA based upon a review of the 2010-11 secured and unsecured taxable valuations reported by the County Assessor. As shown on Table 2, the aggregate assessed values of the identified ten largest assesseees totals \$440 million and represents 25.4% of aggregate Project Area assessed value. When compared against the incremental assessed value, the ten assesseees represent 30.8% of aggregate Project Area incremental value. A separate identification of the ten largest assesseees within the individual BWIP and WECIP component areas is provided on Tables 2.1 and 2.2 respectively.

Based upon a search for secured and unsecured assessment appeal filings by major property owners in the Project Area, seven of the identified ten largest taxpayers have pending appeals. The Assessed Value reduction requested by all applicants combined is approximately \$166 million. Since it is difficult to project which appeal filings will be stipulated, withdrawn, denied, invalidated or revoked due to non-appearance, we estimated the resolution of these appeals based on the records of appeal filings over the past five years for each of the parcels with outstanding appeals. Using this information and according to the methodology described in Section 4.2, KMA has estimated the assessed value reduction resulting from the pending appeals for the ten largest assesseees at approximately \$47 million. This estimated reduction is incorporated into the projection of Housing Set-aside Revenues on Table 7.0.

3.6 Values by Property Use

Based upon a review of the 2010-11 Project Area assessed values, a distribution of assessed values by property use was prepared for the Project Area using the County Assessor's land use classification system for the secured roll. (The Alameda County Assessor does not maintain a land use code for the unsecured roll.) As shown, the Project Area's land use composition is diverse, including commercial, residential and industrial uses. Residential uses represent the dominant use, accounting for 38.8% of the assessed value for the Project Area. Commercial properties account for 33.3% of the valuation, unsecured assessments and other property account for 16.7%, and industrial properties account for 11.3%. A separate identification of values by property use within the individual BWIP and WECIP component areas is provided on Tables 3.1 and 3.2 respectively.

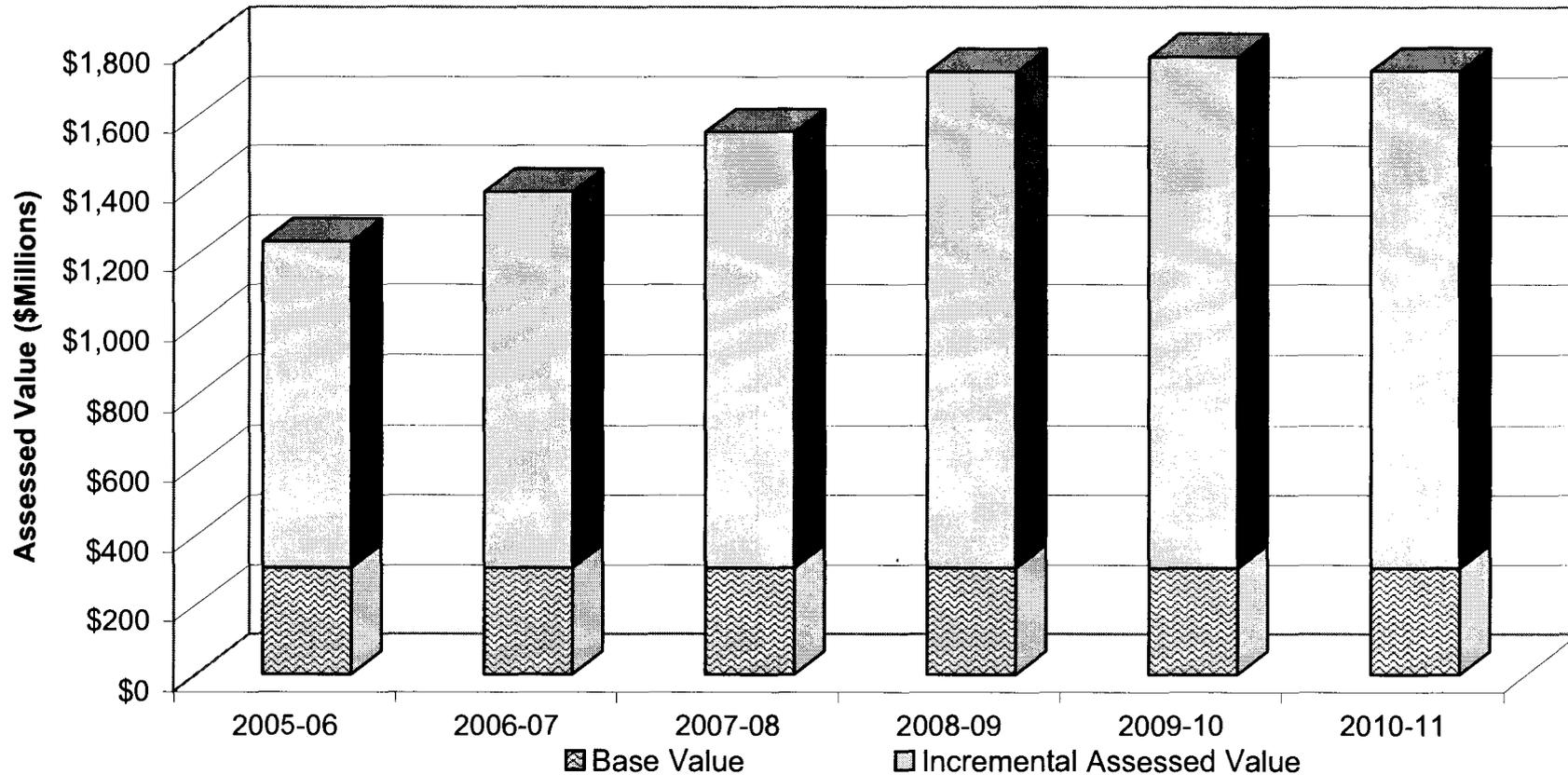
Table 1
Historic Project Area Assessed Values
Merged WECIP / BWIP Project Area
Alameda Community Improvement Commission

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Average Annual % Change 2005-06 to 2010-11
I. BWIP - Original Area							
Secured	\$560,528,311	\$608,029,375	\$654,795,711	\$725,436,290	\$761,379,702	\$760,681,122	6.3%
Utility	\$9,445,683	\$9,435,664	\$9,332,179	\$9,332,179	\$9,332,179	\$11,980,900	4.9%
Unsecured	\$92,003,246	\$89,285,845	\$100,022,594	\$113,420,919	\$121,896,940	\$116,359,675	4.8%
Total	\$661,977,240	\$706,750,884	\$764,150,484	\$848,189,388	\$892,608,821	\$889,021,697	6.1%
% change from prior year	N/A	6.8%	8.1%	11.0%	5.2%	-0.4%	
II. BWIP - Exchange Area (Bayport)							
Secured	\$92,701,480	\$178,060,762	\$294,067,443	\$360,128,533	\$360,271,569	\$340,353,219	29.7%
Utility	\$0	\$0	\$0	\$0	\$0	\$0	N/A
Unsecured	\$996,681	\$3,160,490	\$993,213	\$1,648,641	\$2,332,693	\$1,726,102	11.6%
Total	\$93,698,161	\$181,221,252	\$295,060,656	\$361,777,174	\$362,604,262	\$342,079,321	29.6%
% change from prior year	N/A	93.4%	62.8%	22.6%	0.2%	-5.7%	
III. WECIP							
Secured	\$350,497,196	\$360,866,093	\$363,556,456	\$382,742,061	\$385,855,662	\$380,229,138	1.6%
Utility	\$16,923,752	\$16,836,796	\$16,384,958	\$16,384,958	\$16,384,958	\$18,736,768	2.1%
Unsecured	\$116,507,972	\$116,866,130	\$116,674,149	\$121,034,239	\$115,860,988	\$103,006,031	-2.4%
Total	\$483,928,920	\$494,569,019	\$496,615,563	\$520,161,258	\$518,101,608	\$501,971,937	0.7%
% change from prior year	N/A	2.2%	0.4%	4.7%	-0.4%	-3.1%	
IV. Total Merged Project Area							
Secured	\$1,003,726,987	\$1,146,956,230	\$1,312,419,610	\$1,468,306,884	\$1,507,506,933	\$1,481,263,479	8.1%
Utility	\$26,369,435	\$26,272,460	\$25,717,137	\$25,717,137	\$25,717,137	\$30,717,668	3.1%
Unsecured	\$209,507,899	\$209,312,465	\$217,689,956	\$236,103,799	\$240,090,621	\$221,091,808	1.1%
Total	\$1,239,604,321	\$1,382,541,155	\$1,555,826,703	\$1,730,127,820	\$1,773,314,691	\$1,733,072,955	6.9%
% change from prior year	N/A	11.5%	12.5%	11.2%	2.5%	-2.3%	

Source: Alameda County Auditor-Controller.

Chart A
Historic Project Area Assessed Values
Merged WECIP / BWIP Project Area
Alameda Community Improvement Commission

Historic Project Area Assessed Values



Source: Alameda County Auditor-Controller.

Table 2
Ten Largest Assesseees 2010-11
Merged WECIP / BWIP Project Area
Alameda Community Improvement Commission

Assessee Name	Property Use(s)	No. of Parcels ⁽¹⁾	2010-11 Assessed Value	% of Project Area		Potential Assessed Value Impact from Outstanding Appeals ⁽⁴⁾	
				Total Value ⁽²⁾	Incremental Value ⁽³⁾	AV Reduction Requested by Applicant	AV Reduction Assumed for Projection of 2011-12 Revenues
1 Legacy Partners	Business Park	44	\$208,753,173	12.0%	14.6%	(\$101,975,476)	(\$23,820,711)
2 Wind River Systems, Inc.	Office	9	\$74,100,471	4.3%	5.2%	(\$18,559,940)	(\$9,142,354)
3 SRM Marina Investors LLC	Marina, Office	11	\$35,586,786	2.1%	2.5%	(\$19,973,978)	(\$7,269,938)
4 CREA Bridgeside LLC	Shopping Center	3	\$33,530,000	1.9%	2.4%	(\$7,893,000)	(\$2,790,386)
5 Worthington William F Jr Tr & Oakmont Senior Living of Alameda ETAL	Nursing/Custodial Care Facility	1	\$22,693,192	1.3%	1.6%	(\$10,159,859)	(\$4,011,324)
6 Extra Space Properties Two LLC	Warehouse	3	\$15,941,294	0.9%	1.1%	(\$3,874,248)	\$0
7 Victoria Marina LLC	Shopping Center	4	\$15,060,200	0.9%	1.1%	(\$3,860,200)	\$0
8 Central Alameda LLC	Medical/Dental Office	2	\$12,719,749	0.7%	0.9%		
9 BRE ESA Properties LLC	Motel	2	\$11,219,435	0.6%	0.8%		
10 SC LTD 604 & SC LTD 701	Medical/Dental Offices	1	\$10,144,718	0.6%	0.7%		
TOTALS		80	\$439,749,018	25.4%	30.8%	(\$166,296,701)	(\$47,034,713)

Notes:

(1) Number of secured parcels and / or unsecured assessments.

(2) Based upon reported FY 2010-11 Project Area aggregate assessed value of \$1,733,072,955.

(3) Based upon reported FY 2010-11 Project Area incremental value of \$1,426,439,961.

(4) See text for description of methodology used to estimate impacts from pending assessment appeals. Summary information represents "unique filings" after removing duplicate appeal filings on the same parcel, for example, due to filings for multiple tax years or on both the regular and supplemental tax rolls.

Table 2.1
Ten Largest Assesseees 2010-11
BWIP Project Area ⁽¹⁾
Alameda Community Improvement Commission

Assessee Name	Property Use(s)	No. of Parcels ⁽²⁾	2010-11 Assessed Value	% of BWIP Project		Potential Assessed Value Impact from Outstanding Appeals ⁽⁵⁾	
				Total Value ⁽³⁾	Incremental Value ⁽⁴⁾	AV Reduction Requested by Applicant	AV Reduction Assumed for Projection of 2011-12 Revenues
1 Wind River Systems, Inc.	Office	6	\$71,772,781	5.8%	7.6%	(\$16,835,529)	(\$8,786,184)
2 CREA Bridgeside LLC	Shopping Center	3	\$33,530,000	2.7%	3.6%	(\$7,893,000)	(\$2,790,386)
3 Worthington William F Jr Tr & Oakmont Senior Living of Alameda ETAL	Nursing/Custodial Care Facility	1	\$22,693,192	1.8%	2.4%	(\$10,159,859)	(\$4,011,324)
4 Legacy Partners	Business Park	4	\$21,909,275	1.8%	2.3%	(\$12,409,275)	\$0
5 Extra Space Properties Two LLC	Warehouse	3	\$15,941,294	1.3%	1.7%	(\$3,874,248)	\$0
6 Central Alameda LLC	Medical/Dental Office	2	\$12,719,749	1.0%	1.4%	\$0	\$0
7 Alameda Entertainment Assoc.	Movie Theater	3	\$8,510,456	0.7%	0.9%	\$0	\$0
8 Elders Inn	Senior / Nursing Care Facility	5	\$8,509,512	0.7%	0.9%	\$0	\$0
9 Park Street Properties	Retail	5	\$7,517,936	0.6%	0.8%	\$0	\$0
10 Ball Julie B TR et al	Retail	4	\$7,213,848	0.6%	0.8%	\$0	\$0
TOTALS		36	\$210,318,043	17.1%	22.4%	(\$51,171,911)	(\$15,587,894)

- Notes:**
- (1) Including BWIP Original and BWIP Exchange Areas.
 - (2) Number of secured parcels and / or unsecured assessments.
 - (3) Based upon reported FY 2010-11 aggregate Project Area assessed value of \$1,231,101,018.
 - (4) Based upon reported FY 2010-11 aggregate Project Area incremental assessed value of \$938,230,193.
 - (5) See text for description of methodology used to estimate impacts from pending assessment appeals. Summary information represents "unique filings" after removing duplicate appeal filings on the same parcel, for example, due to filings for multiple tax years or on both the regular and supplemental tax rolls.

**Table 2.2
Ten Largest Assesseees 2010-11
WECIP Project Area
Alameda Community Improvement Commission**

Assessee Name	Property Use(s)	No. of Parcels ⁽¹⁾	2010-11 Assessed Value	% of WECIP Project		Potential Assessed Value Impact from Outstanding Appeals ⁽⁴⁾	
				Total Value ⁽²⁾	Incremental Value ⁽³⁾	AV Reduction Requested by Applicant	AV Reduction Assumed for Projection of 2011-12 Revenues
1 Legacy Partners	Business Park	40	\$186,843,898	37.2%	38.3%	(\$89,566,201)	(\$23,820,711)
2 SRM Marina Investors LLC	Marina, Office	10	\$35,144,648	7.0%	7.2%	(\$19,973,978)	(\$5,369,608)
3 Victoria Marina LLC	Shopping Center	4	\$15,060,200	3.0%	3.1%	(\$3,860,200)	\$0
4 BRE ESA Properties LLC	Motel	2	\$11,219,435	2.2%	2.3%	\$0	\$0
5 SC LTD 604 & SC LTD 701	Medical/Dental Office	1	\$10,144,718	2.0%	2.1%	\$0	\$0
6 Lucky (Del) Nocal Investor LLC	Retail	1	\$9,040,000	1.8%	1.9%	(\$1,218,200)	(\$1,678,200)
7 Siska Robert J	Office	1	\$6,634,239	1.3%	1.4%	\$0	\$0
8 Celera Corporation	Unsecured Business property	1	\$5,641,228	1.1%	1.2%	\$0	\$0
9 Moore Joseph Tr	Retail	1	\$5,217,964	1.0%	1.1%	\$0	\$0
10 Pacific Marina Hospitality Inc.	Hotel	1	\$5,018,596	1.0%	1.0%	(\$1,025,477)	(\$823,364)
TOTALS		62	\$289,964,926	57.8%	59.4%	(\$115,644,056)	(\$31,691,883)

Notes:

(1) Number of secured parcels and / or unsecured assessments.

(2) Based upon reported FY 2010-11 aggregate Project Area assessed value of \$501,971,937.

(3) Based upon reported FY 2010-11 aggregate Project Area incremental assessed value of \$488,209,768.

(4) See text for description of methodology used to estimate impacts from pending assessment appeals. Summary information represents "unique filings" after removing duplicate appeal filings on the same parcel, for example, due to filings for multiple tax years or on both the regular and supplemental tax rolls.

Table 3
Land Uses Composition, FY 2010-11
Merged WECIP / BWIP Project Area
Alameda Community Improvement Commission

Designated Land Use	No. of Parcels	2010-11 Taxable Value	% of Total
Commercial Properties			
Office	60	216,465,002	12.5%
Retail	261	243,006,629	14.0%
Miscellaneous	82	51,145,363	3.0%
Hotel & Motel	7	27,020,843	1.6%
Vacant Commercial Land	26	38,731,979	2.2%
<i>Subtotal Commercial</i>	436	\$576,369,816	33.3%
Industrial Properties			
Light Industrial	45	143,852,077	8.3%
Warehouse / Distribution	22	38,361,014	2.2%
Miscellaneous	6	8,087,469	0.5%
Vacant Industrial Land	21	6,015,352	0.3%
<i>Subtotal Industrial</i>	94	\$196,315,912	11.3%
Residential Properties			
Condominiums	212	71,006,527	4.1%
Single Family	841	424,377,482	24.5%
Multi-Family	143	61,176,252	3.5%
Vacant Residential Land	213	115,104,134 ⁽¹⁾	6.6%
Common Area	144	0	0.0%
<i>Subtotal Residential</i>	1,553	\$671,664,395	38.8%
Other Uses			
Institutional	47	36,913,356	2.1%
Other Uses	0	0	0.0%
Publicly Owned	105	0	0.0%
SBE Assessed ⁽²⁾	0	30,717,668	1.8%
Unsecured Assessments ⁽³⁾	0	221,091,808	12.8%
<i>Subtotal Other Uses</i>	152	\$288,722,832	16.7%
Merged Project Total	2,235	\$1,733,072,955	100.0%

Source: Alameda County Assessor's Office.

⁽¹⁾ Primarily recently completed single family homes within the Bayport residential project that as of July 1, 2010 were still assigned a "vacant land" classification in the County's database.

⁽²⁾ Per Alameda County Auditor-Controller.

⁽³⁾ Unsecured values are represented by 2,811 unsecured assessments per the Alameda County Assessor's Office.

Table 3.1
Land Uses Composition, FY 2010-11
BWIP Project Area ⁽¹⁾
Alameda Community Improvement Commission

Designated Land Use	No. of Parcels	2010-11 Taxable Value	% of Total
Commercial Properties			
Office	43	128,356,208	10.4%
Retail	250	206,895,562	16.8%
Miscellaneous	78	34,404,228	2.8%
Hotel & Motel	5	11,002,247	0.9%
Vacant Commercial Land	14	9,826,360	0.8%
<i>Subtotal Commercial</i>	390	\$390,484,605	31.7%
Industrial Properties			
Light Industrial	24	35,505,515	2.9%
Warehouse / Distribution	22	38,361,014	3.1%
Miscellaneous	6	8,087,469	0.7%
Vacant Industrial Land	19	4,996,999	0.4%
<i>Subtotal Industrial</i>	71	\$86,950,997	7.1%
Residential Properties			
Condominiums	0	0	0.0%
Single Family	839	423,802,999	34.4%
Multi-Family	140	49,520,220	4.0%
Vacant Residential Land	213	115,104,134 ⁽²⁾	9.3%
Common Area	144	0	0.0%
<i>Subtotal Residential</i>	1,336	\$588,427,353	47.8%
Other Uses			
Institutional	35	35,171,386	2.9%
Other Uses	0	0	0.0%
Publicly Owned	78	0	0.0%
SBE Assessed ⁽³⁾	0	11,980,900	1.0%
Unsecured Assessments ⁽⁴⁾	0	118,085,777	9.6%
<i>Subtotal Other Uses</i>	113	\$165,238,063	13.4%
BWIP Total	1,910	\$1,231,101,018	100.0%

Source: Alameda County Assessor's Office

⁽¹⁾ Including BWIP Original and BWIP Exchange Areas.

⁽²⁾ Primarily recently completed single family homes within the Bayport residential project that as of July 1, 2010 were still assigned a "vacant land" classification in the County's database.

⁽³⁾ Alameda County Auditor-Controller.

⁽⁴⁾ Unsecured values are represented by 1808 unsecured assessments per the Alameda County Assessor's Office.

Table 3.2
Land Uses Composition, FY 2010-11
WECIP
Alameda Community Improvement Commission

Designated Land Use	No. of Parcels	2010-11 Taxable Value	% of Total
Commercial Properties			
Office	17	88,108,794	17.6%
Retail	11	36,111,067	7.2%
Miscellaneous	4	16,741,135	3.3%
Hotel & Motel	2	16,018,596	3.2%
Vacant Commercial Land	12	28,905,619	5.8%
<i>Subtotal Commercial</i>	46	\$185,885,211	37.0%
Industrial Properties			
Light Industrial	21	108,346,562	21.6%
Warehouse / Distribution	0	0	0.0%
Miscellaneous	0	0	0.0%
Vacant Industrial Land	2	1,018,353	0.2%
<i>Subtotal Industrial</i>	23	\$109,364,915	21.8%
Residential Properties			
Condominiums	212	71,006,527	14.1%
Single Family	2	574,483	0.1%
Multi-Family	3	11,656,032	2.3%
Vacant Residential Land	0	0	0.0%
Common Area	0	0	0.0%
<i>Subtotal Residential</i>	217	\$83,237,042	16.6%
Other Uses			
Institutional	12	1,741,970	0.3%
Other Uses	0	0	0.0%
Publicly Owned	27	0	0.0%
SBE Assessed ⁽¹⁾	0	18,736,768	3.7%
Unsecured Assessments ⁽²⁾	0	103,006,031	20.5%
<i>Subtotal Other Uses</i>	39	\$123,484,769	24.6%
WECIP Total	325	\$501,971,937	100.0%

Source: Alameda County Assessor's Office

⁽¹⁾ Alameda County Auditor-Controller.

⁽²⁾ Unsecured values are represented by 992 unsecured assessments per the Alameda County Assessor's Office.

4.0 ASSESSMENT APPEALS

Property values determined by the County Assessor are subject to appeal by property owners. Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the property owner. The current practice of the Alameda County Auditor-Controller effectively holds agencies harmless from tax refunds arising from successful assessment appeals. Refunds are not allocated to redevelopment agencies with the exception of rare situations when appeals are specifically brought to the attention of County staff. Of the 139 stipulated and reduced assessment appeals over the past five years, none resulted in a tax refund being allocated to the Commission. Therefore, this report assumes that the only risk to the Commission from appeals is a potential reduction in assessed value and generation of future Tax Increment Revenues.

KMA researched the status of assessment appeals filed by property owners in the Project Area based upon information available from the County Appeals Board database as of December 2010 for appeals filed for FY 2005-06 to 2010-11 which the County has indicated reflects a complete listing of appeal filings for the FY 2010-11 roll although the database entries had not yet been fully quality control checked by County staff.

4.1 Resolved Appeals Filings

Table 4 includes a summary of the 472 assessment appeal resolutions that have occurred in the Project Area during the years 2005-06 to 2010-11 including Secured and Unsecured Roll appeals. Of the 472 resolved appeals, 29% were reduced or stipulated, while 60% were subsequently withdrawn and 11% were denied or rejected. The resolved appeals had an aggregate contested value of \$1.1 billion but resulted in a reduction of only \$90 million, which represents an average reduction of 8%.

4.2 Estimated Value Reductions from Pending Assessment Appeals

Pending appeals are identified in Tables 5.0 to 5.3 along with a projection of assessed value reductions upon resolution of the outstanding appeals. Unless a particular pattern from parcel-specific prior year filings is seen, it is difficult to project with any degree of certainty which appeal filings will ultimately be withdrawn, denied, invalidated or revoked due to non-appearance. Therefore, the projected valuation reductions shown on Tables 5.0 to 5.3 assume that all outstanding appeals will be reduced based upon one of several methods listed below:

1. If the parcel assessment was reduced by prior stipulation or Appeals Board action, the contested value was reduced to the reported resolved value.
2. If the applicant, in prior fiscal year appeal filings for a particular parcel, withdrew an appeal or failed to appear for a scheduled hearing or was denied the appeal

request by the Appeals Board, it was assumed that the same would occur with respect to the open appeals being filed by the applicant for such parcel.

3. If no history of prior appeal resolutions specific to a particular parcel is available, a reduction to the greater of either the applicant's opinion of value or
 - a. 73% of contested value (27% reduction) for appeals with contested value of less than \$1 million; or
 - b. 82% of contested value (18% reduction) for appeals with contested value greater than \$1 million.

The above percentages were derived based on the 139 stipulated appeals in the Project Area from 2005-06 to 2010-11.

The intentional decision to assume every identified appeal will result in an assessed value reduction unless there is parcel specific appeal history which suggests otherwise is a very conservative approach since; historically only approximately 29% of appeals in the Project Area have resulted in an assessed value reduction.

Estimated Impact to Assessed Value

The estimated impact to assessed values as a result of pending appeals is summarized below. Estimates reflect an adjustment to account for repeat filings on the same parcel to avoid double counting (generally for appeals on the same parcel filed for multiple tax years or appeals filed with respect to both the regular and supplemental tax rolls). Only the most recent appeal filing is reflected in estimating the resulting assessed valuation reduction.

Summary of Projected Appeal Impacts / Unique Filings for Project Area

Pending Appeals	148
Aggregate Contested Assessed Value	\$553 Million
Aggregate Requested Reduction in Assessed Value	\$244 Million
Estimated Reduction in Assessed Value	\$82 Million (15% reduction from \$553 Million contested value)

Although Prop 8 reductions granted as a result of successful assessment appeal filings may be restored over time as market valuations increase, for purposes of the revenue projection provided on Tables 7.0 to 7.3, the estimated reductions are assumed to be permanent.

Actual resolution of appeals are determined by a number of factors including vacancy and rental rates, circumstances of hardship and other real estate comparables, all of which are unique to the individual assessment. Therefore, actual reductions, if any, may be higher or lower than the reductions incorporated in the projection. An appeal may be withdrawn

by the applicant, the Appeals Board may deny or modify the appeal at hearing or by stipulation, or the final value may be adjusted to an amount other than the stated opinion of value.

4.3 Projected Assessor Adjustment to Residential Values

As described in Section 3.3, the Assessor plans to pro-actively review assessed values relative to current market value in preparation of the 2011-12 assessment roll. Commercial property owners in the Project Area have been proactive regarding filing of appeals to request downward adjustments to assessed values. It is assumed that the review of assessment appeals adequately captures potential adjustments to assessed value for these properties. However, appeal records indicate that few individual homeowners have filed appeals. Since the Assessor plans to review values pro-actively, examining assessment appeal filings alone does not capture the potential decrease in assessed values relative to owner-occupied residential.

The Bayport residential project is a newly-developed residential project for which initial sales of units occurred from 2004 to 2010. The Bayport project has a 2010-11 aggregate assessed value of approximately \$340 Million. Since the market has declined since the initial sale of many of the units occurred, KMA determined that an examination of assessed values relative to market was warranted in anticipation of a review and potential pro-active adjustment by the Assessor. Our review was focused on the Bayport project because it is the major newly developed residential project within the Project Area and a probable target for a pro-active review and adjustment by the Assessor (in fact the 2010-11 values for Bayport appear to already reflect a Prop 8 adjustment by the Assessor). Bayport represents approximately half of all residential assessed valuation in the Project Area.

Re-sales of single family residential units within the Bayport project occurring within the past twelve month period were compared to the 2010-11 assessed values for the same specific residential units that sold. Re-sale activity indicates current market values are approximately 7% less on average than the 2010-11 assessed values. To recognize the potential for a downward adjustment by the Assessor in the projection, KMA reduced the aggregate assessed value of Bayport by 7%, which translates into a \$24 million reduction.

4.4 Combined Impact: Appeals and Projected Adjustment to Residential Values

The combined impact of assessment appeals (Section 4.2) and the assumed pro-active Assessor adjustment to residential values (Section 4.3) which are incorporated into the projection of 2011-12 revenues on Tables 7.0 to 7.3 is summarized below:

Projected Reductions from 2010-11 Reported Assessed Value:	
Projected Appeal Reduction	\$82,325,000
Projected Pro active Assessor Adjustment	<u>\$24,000,000</u>
Total Projected Reduction in AV	\$106,325,000

Table 4
Assessment Appeal Resolutions: FY 2005-06 to FY 2010-11
Merged WECIP / BWIP Project Area
Alameda Community Improvement Commission

Resolved Appeals Only - See Table 5.0 to 5.3 For Pending Appeals

Appeal Resolutions 2005-06 to 2010-11 ⁽¹⁾	Total Resolved Appeals	Disposition			Valuation (\$Thousands)					
		Stipulated/ Reduced	Withdrawn	Denied/ Rejected	Contested Value	Applicant Opinion of Value	Reduction Requested	Final Resolved Value ⁽²⁾	Reduction from Assessor Value	Percent Reduction
FY 2005-06	99	44	54	1	\$349,791	\$132,581	\$217,210	\$295,186	\$54,605	16%
FY 2006-07	53	24	15	14	\$146,904	\$68,194	\$78,710	\$140,337	\$6,566	4%
FY 2007-08	149	18	123	8	\$116,961	\$68,285	\$48,676	\$110,506	\$6,455	6%
FY 2008-09	114	28	67	19	\$344,098	\$184,795	\$159,304	\$338,108	\$5,990	2%
FY 2009-10	54	25	21	8	\$131,680	\$74,790	\$56,890	\$115,649	\$16,030	12%
FY 2010-11	3	0	3	0	\$5,273	\$1,583	\$3,690	\$5,273	\$0	0%
Total	472	139	283	50	\$1,094,707	\$530,227	\$564,480	\$1,005,059	\$89,647	8%
	100%	29%	60%	11%						

Stipulated and Reduced Appeals
2005-06 to 2010-11⁽¹⁾

Under \$1M in contested value	76	\$36,955	\$25,176	\$11,779	\$26,906	\$10,049	27%
Over \$1M in contested value	63	\$450,310	\$204,416	\$245,894	\$370,712	\$79,598	18%

Notes:

(1) Including both secured and unsecured roll appeals.

(2) Final resolved value assumed to be equal to contested value in cases where Appeals are withdrawn or denied.

Source: Alameda County Assessment Appeals Database

Table 5.0
Projection of Assessed Value Impacts - Pending Appeals
Merged WECIP / BWIP Project Area
Alameda Community Improvement Commission

	Total Number of Appeals	Valuation (\$Thousands)					Percent Reduction
		Contested Value	Applicant Opinion of Value	Requested Reduction	Estimated Resolved Value	Estimated Reduction	
I. Secured Roll Pending Appeals							
FY 2008-09	3	\$14,156	\$4,175	\$9,981	\$13,951	\$205	1%
FY 2009-10	98	\$426,489	\$235,356	\$191,133	\$378,269	\$48,220	11%
FY 2010-11	79	\$401,409	\$228,742	\$172,667	\$349,050	\$52,360	13%
Total Secured	180	\$842,054	\$468,272	\$373,782	\$741,270	\$100,785	12%
II. Unsecured Roll Pending Appeals							
FY 2008-09	1	\$226	\$169	\$57	\$226	\$0	0%
FY 2009-10	29	\$94,953	\$42,790	\$52,163	\$78,878	\$16,075	17%
FY 2010-11	4	\$1,603	\$455	\$1,148	\$1,266	\$337	21%
Total Unsecured	34	\$96,782	\$43,415	\$53,367	\$80,369	\$16,412	17%
III. Total Pending Appeals	214	\$938,836	\$511,687	\$427,149	\$821,639	\$117,197	12%
IV. Pending Appeals: Unique Filings ⁽¹⁾							
Secured Roll	114	\$455,757	\$264,872	\$190,885	\$389,845	\$65,912	14%
Unsecured Roll	34	\$96,782	\$43,415	\$53,367	\$80,369	\$16,412	17%
	148	\$552,539	\$308,287	\$244,252	\$470,214	\$82,325	15%

Source: Alameda County Assessment Appeals Database,

(1) The summary of "unique filings" represents the results of an analysis to eliminate "double counting" for purposes of projecting on-going impacts to assessed value. This double counting is caused by multiple appeal filings on the same parcel for example for multiple tax years or on both the regular and supplemental tax rolls.

Table 5.1
Projection of Assessed Value Impacts - Pending Appeals
BWIP Original Area
Alameda Community Improvement Commission

	Total Number of Appeals	Valuation (\$Thousands)					Percent Reduction
		Contested Value	Applicant Opinion of Value	Requested Reduction	Estimated Resolved Value	Estimated Reduction	
I. Secured Roll Pending Appeals							
FY 2008-09	1	\$12,996	\$3,271	\$9,725	\$12,996	\$0	0%
FY 2009-10	27	\$200,104	\$109,270	\$90,833	\$179,759	\$20,345	10%
FY 2010-11	27	\$160,314	\$100,835	\$59,479	\$140,155	\$20,159	13%
Total Secured	55	\$373,413	\$213,376	\$160,038	\$332,910	\$40,503	11%
II. Unsecured Roll Pending Appeals							
FY 2009-10	24	\$92,294	\$42,133	\$50,161	\$76,763	\$15,531	17%
FY 2010-11	4	\$1,603	\$455	\$1,148	\$1,266	\$337	21%
Total Unsecured	28	\$93,897	\$42,588	\$51,309	\$78,028	\$15,869	17%
III. Total Pending Appeals	83	\$467,310	\$255,964	\$211,346	\$410,938	\$56,372	12%
IV. Pending Appeals: Unique Filings ⁽¹⁾							
Secured Roll	31	\$175,173	\$105,116	\$70,057	\$144,653	\$30,520	17%
Unsecured Roll	28	\$93,897	\$42,588	\$51,309	\$78,028	\$15,869	17%
	59	\$269,070	\$147,704	\$121,366	\$222,681	\$46,389	17%

Source: Alameda County Assessment Appeals Database.

(1) The summary of "unique filings" represents the results of an analysis to eliminate "double counting" for purposes of projecting on-going impacts to assessed value. This double counting is caused by multiple appeal filings on the same parcel for example for multiple tax years or on both the regular and supplemental tax rolls.

Table 5.2
Projection of Assessed Value Impacts - Pending Appeals
BWIP Exchange Area
Alameda Community Improvement Commission

	Total No. of Appeals	Valuation (\$Thousands)					Percent Reduction
		Contested Value	Applicant Opinion of Value	Requested Reduction	Estimated Resolved Value	Estimated Reduction	
I. Secured Roll Pending Appeals							
FY 2008-09	1	\$1,160	\$904	\$256	\$955	\$205	18%
FY 2009-10	25	\$20,181	\$18,251	\$1,930	\$19,054	\$1,127	6%
FY 2010-11	4	\$2,943	\$2,562	\$381	\$2,773	\$170	6%
Total Secured	30	\$24,284	\$21,717	\$2,567	\$22,782	\$1,502	6%
II. Unsecured Roll Pending Appeals							
	none						
III. Total Pending Appeals							
	30	\$24,284	\$21,717	\$2,567	\$22,782	\$1,502	6%
IV. Pending Appeals: Unique Filings ⁽¹⁾							
Secured Roll	28	\$22,800	\$20,454	\$2,346	\$21,356	Est. AV Impact \$1,444	6%
Unsecured Roll	none						

Source: Alameda County Assessment Appeals Database.

(1) The summary of "unique filings" represents the results of an analysis to eliminate "double counting" for purposes of projecting on-going impacts to assessed value. This double counting is caused by multiple appeal filings on the same parcel for example for multiple tax years or on both the regular and supplemental tax rolls.

Table 5.3
Projection of Assessed Value Impacts - Pending Appeals
WECIP
Alameda Community Improvement Commission

	Total Number of Appeals	Valuation (\$Thousands)					Percent Reduction
		Contested Value	Applicant Opinion of Value	Requested Reduction	Estimated Resolved Value	Estimated Reduction	
I. Secured Roll Pending Appeals							
FY 2008-09 ⁽¹⁾	1	\$0	\$0	\$0	\$0	\$0	0%
FY 2009-10	46	\$206,204	\$107,834	\$98,370	\$179,456	\$26,748	13%
FY 2010-11	48	\$238,152	\$125,345	\$112,807	\$206,122	\$32,031	13%
Total Secured	95	\$444,357	\$233,180	\$211,177	\$385,578	\$58,779	13%
II. Unsecured Roll							
FY 2008-09	1	\$226	\$169	\$57	\$226	\$0	0%
FY 2009-10	5	\$2,659	\$657	\$2,001	\$2,115	\$544	20%
Total Unsecured	6	\$2,885	\$827	\$2,058	\$2,341	\$544	19%
III. Total Pending Appeals	101	\$447,242	\$234,006	\$213,236	\$387,919	\$59,323	13%
IV. Pending Appeals: Unique Filings ⁽²⁾							
Secured Roll	55	\$257,785	\$139,302	\$118,482	\$223,836	\$33,948	13%
Unsecured Roll	6	\$2,885	\$827	\$2,058	\$2,341	\$544	19%
	61	\$260,670	\$140,129	\$120,541	\$226,178	\$34,492	13%

Source: Alameda County Assessment Appeals Database.

(1) Appeal filed by Peralta Community College relating to cancelation of taxes due. No valuation specified.

(2) The summary of "unique filings" represents the results of an analysis to eliminate "double counting" for purposes of projecting on-going impacts to assessed value. This double counting is caused by multiple appeal filings on the same parcel for example for multiple tax years or on both the regular and supplemental tax rolls.

5.0 TAX ALLOCATION AND DISBURSEMENT

5.1 Tax Rates

Tax Increment Revenues projected in this Report are computed based upon the annual incremental assessed value of the Project Area multiplied by the estimated tax rate. The tax rate consists of the general tax levy of \$1.00 per \$100 of assessed value and the override tax rate that represents the debt service levy for indebtedness that has been authorized by voter approval.

The override tax rates typically decline each year (1) as increasing property values reduce the override rate needed to be levied by the taxing entities to meet debt service requirements and (2) as voter approved debt is eventually retired over time. An amendment to the California Constitution prohibits redevelopment agencies from receiving taxes generated by new override tax rates, which are reflective of debt approved after December 31, 1988. The Project Area's tax rate (excluding exempt overrides to the Alameda Unified School District and Peralta Community College District, passed after 1988) is as follows:

2010-11 Agency Tax Rate (Secured)	
General 1.0% Levy	1.0000%
East Bay Regional Park	0.0084%
East Bay Municipal Utility District No. 1	0.0067%
City of Alameda	0.0175%
Total Tax Rate	1.0326%

The tax rate reflected above is for secured taxes; unsecured taxes are levied at the prior year secured rate of 1.0348%. The Override Tax Rate (East Bay Regional Park District, the East Bay Municipal Utility District, and City of Alameda) has been excluded from the Table 7.0 projection. For purposes of the projection, KMA has relied upon the basic 1% tax levy to compute the Housing Set-Aside revenues summarized on Table 7.0.

5.2 Allocation of Taxes

Secured 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 if not paid by August 31. The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of the lien date 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 for determining Tax Increment Revenues due to the Commission. Although adjustments to taxable values for property within the Project Area may occur throughout the fiscal year, such adjustments are not assumed in the revenue projection on Table 7.0.

Alameda County's present policy is to disburse Tax Increment Revenues to the Commission based upon 100% of the calculated Tax Increment Revenue. Under this policy (Teeter Plan), the Commission is held harmless from delinquent taxes in the Project Area. Conversely, the County retains the prior year redemption payments, plus penalties and interest, when delinquent taxes are collected. Although the County has made an administrative policy decision to allocate 100% of Tax Increment Revenues to redevelopment agencies, State law does not preclude the County from revising this policy in the future. The revenue projection in Section 7.0 assumes that the Commission will continue to receive 100% of calculated Tax Increment Revenue in the future. Current secured and unsecured tax increment revenues are distributed in two major installments each fiscal year. The first 50% installment is disbursed by the County to the Commission in January and the second 50% installment is disbursed in April or May.

5.3 Tax Receipts to Tax Levy

Tax increment revenues are allocated to the Commission based upon allocation formulas implemented under the County's Teeter Plan. Table 6 represents a summary comparison of computed tax levy to actual tax receipts reported on remittance advice statements provided with each payment of tax increment to the Commission from FY 2005-06 through FY 2009-10. As shown, the Commission has received 100% of the computed levy consistent with current County policy.

For purposes of this comparison, the calculated tax levy and the annual receipt amounts are after deduction of payments pursuant to Health and Safety Code Section 33676, but do not include administrative charges, supplemental taxes, contractual pass through payments, or statutory pass through payments.

5.4 Unitary Tax Revenues

Commencing in 1988-89, the reporting of public utility values assessed by the State Board of Equalization (SBE) was modified pursuant to legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921). Previously, property assessed by the SBE was assessed Statewide and was allocated according to the location of individual components of a utility in a TRA. Hence, public utility values located within a redevelopment project area were fully reflected in the Project Area's annual taxable value. Since the County no longer includes the taxable value of Unitary properties as part of the reported taxable values in a redevelopment project, a base year reduction was made equal to the amount of Unitary taxable value that existed originally in the base year. The values of most public utility properties are now assessed as a single unit on a Countywide basis (referred to as Unitary values). Railroad properties and utility owned parcels not included by SBE in the Unitary assessment continue to be reported in the Project Area's taxable value and are referred to as Non-Unitary assessments.

Unitary tax revenues are distributed by the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (2) if utility tax revenues are insufficient to provide the same amount of revenue as in the previous year, allocation of the taxes would be reduced pro-rata County-wide; and (3) any increase in revenue above 2% would be allocated proportionate to the taxing entity's local secured taxable values. The actual amount of Unitary revenue received for FY 2009-10 for the Project Area was approximately \$40,000; the final amount for 2010-11 has not been determined at this time, but the valuation tends to be stable over time. The Unitary revenue is assumed to stabilize at the amount noted above over the term of the projection.

Table 6
Receipts to Levy Analysis
Merged WECIP / BWIP Project Area
Alameda Community Improvement Commission

	2005-06	2006-07	2007-08	2008-09	2009-10
I. Reported Assessed Value					
Secured & Nonunitary (SBE)	\$1,030,096,422	\$1,173,228,690	\$1,338,136,747	\$1,494,024,021	\$1,533,224,070
Unsecured	<u>209,507,899</u>	<u>209,312,465</u>	<u>217,689,956</u>	<u>236,103,799</u>	<u>240,090,621</u>
	1,239,604,321	1,382,541,155	1,555,826,703	1,730,127,820	1,773,314,691
(Less) Base Year Value					
Secured ⁽¹⁾	231,109,522	231,109,522	231,011,832	231,011,832	230,937,980
Unsecured	<u>75,695,014</u>	<u>75,695,014</u>	<u>75,695,014</u>	<u>75,695,014</u>	<u>75,695,014</u>
	306,804,536	306,804,536	306,706,846	306,706,846	306,632,994
Incremental Value					
Secured	798,986,900	942,119,168	1,107,124,915	1,263,012,189	1,302,286,090
Unsecured	<u>133,812,885</u>	<u>133,617,451</u>	<u>141,994,942</u>	<u>160,408,785</u>	<u>164,395,607</u>
	932,799,785	1,075,736,619	1,249,119,857	1,423,420,974	1,466,681,697
II. Tax Rate					
Secured	1.0304%	1.0328%	1.0320%	1.0339%	1.0348%
Unsecured	1.0308%	1.0304%	1.0328%	1.0320%	1.0339%
III. Gross Tax Increment	9,612,104	11,107,001	12,892,053	14,713,702	15,175,743
Unitary Tax Revenue ⁽²⁾	34,728	36,485	45,138	41,635	40,058
(Less) H&S 33676 ⁽²⁾	(357,160)	(384,956)	(413,310)	(442,229)	(471,726)
Audit Adjustment (to prior years)	558,873	0	0	0	0
Total Computed Levy	9,848,545	10,758,530	12,523,881	14,313,108	14,744,075
IV. Tax Allocation ⁽³⁾					
Secured & Unsecured Tax Increment	9,813,818	10,722,041	12,478,743	14,271,473	14,704,017
Unitary Tax Revenue	34,728	36,485	45,138	41,635	40,058
Total Annual Tax Increment	9,848,546	10,758,525	12,523,881	14,313,108	14,744,075
V. Variance From Computed Levy	\$1	(\$5)	\$0	\$0	\$0
% Collections	100%	100%	100%	100%	100%

⁽¹⁾ Base year assessed values were adjusted by County in 2007-08 and 2009-10.

⁽²⁾ Amounts shown are as reported by the Alameda County Auditor-Controller.

⁽³⁾ Source: County Auditor-Controller remittance advice statements for FY 2005-06 to 2009-10. Amounts represent the annual tax increment revenues allocable to the Commission net of payments in accordance with H&S Section 33676. Amounts do not include administrative fees, supplemental taxes, interest earnings, ERAF deductions, or pass through payments administered by the Commission.

6.0 LOW AND MODERATE INCOME HOUSING FUND OBLIGATIONS

The following summarizes KMA's review of the Commission's statutory and contractual obligations applicable to the Project Area's 20% Housing Set-Aside Revenues.

6.1 Senior Obligations

1. Taxing Agency Elections Payable Under H&S 33676 – BWIP Original

Prior to the enactment of AB 1290, redevelopment projects adopted between January 1, 1985 and January 1, 1994 were subject to payments to schools and to other affected taxing agencies that elected to receive tax revenue payments set forth under Health and Safety Code Section 33676. The annual payments represent that portion of property taxes that are, or otherwise would be, calculated annually pursuant to subdivision (f) of Section 110.1 of the Revenue and Taxation Code (and referred to as the 2% inflation allocation). According to records of the Commission, seven taxing entities including Alameda County, City of Alameda, Flood Control District, Mosquito Abatement District, AC Transit, BART, and the East Bay Regional Park District receive a payment under this provision from the BWIP Original Area. Since the property taxes deducted by the County Auditor-Controller under these elections are paid directly to the respective taxing agencies, the calculation of Housing Set-Aside Revenue is net of such payments each year.

2. 2003 Series C & D Bonds (BWIP)

In 2003, the Commission issued \$18.5 million in bonds secured by a pledge of tax increment from the BWIP Original and BWIP Exchange areas. Up to 100% of the debt service on the Series D bonds and up to a 15.85% share of the Series C bonds may be paid from the Housing Set-Aside Revenues of the Project Area (based on the portion of the proceeds of the bonds used for eligible Low and Moderate Income Housing Fund purposes). Debt service on the 2003 C&D bonds allocable to Housing Set-Aside Revenues has been deducted in computing the Pledged Housing Set-Aside Revenues summarized on Table 7.0.

This Report assumes the Commission's obligations with respect to 1992 WECIP housing set-aside bonds will be refunded with proceeds of the 2011 Bonds. Therefore debt service on the 1992 bonds is not identified above and is not reflected in the Table 7.0 projections.

6.2 Parity Obligations

No existing parity obligations payable from Housing Set-Aside Revenues were identified in KMA's review.

6.3 Subordinate Obligations

In KMA's review of Commission obligations, the following subordinate or unsecured contractual commitments of the Commission's Low and Moderate Income Housing Fund were identified. Only obligations representing future or on-going commitments of the Low and Moderate Income Housing Fund revenues are identified:

1. *Taxing Sharing Agreement with Alameda Unified School District*

The Low and Moderate Income Housing Fund for the BWIP Original portion of the Project is shared with the Alameda Unified School District (AUSD) as agreed upon in a tax sharing agreement entered into at the time of BWIP's adoption. The Commission deposits 40% of Housing Set-Aside Revenues from the BWIP Original Area into a "District Housing Fund," a special fund of the Commission for the benefit of AUSD to be used consistent with the requirements of the Low and Moderate Income Housing Fund.

The tax sharing agreement with AUSD allows the Commission to subordinate its obligations under the agreement to secure the repayment of Commission debt. The Commission has requested and AUSD has consented to subordination of payments under the AUSD agreement to debt service on the 2011 Bonds. Since payments to AUSD are subordinate, the projection reflects the 20% Housing Set-Aside prior to deduction of the AUSD allocation.

2. *Independence Plaza Rental Subsidy Agreement*

The Commission entered into an agreement with the Housing Authority of the City of Alameda in 1989 whereby it pledged Housing Set-Aside Revenues generated within the WECIP area to support a 186-unit affordable housing development known as Independence Plaza. The Commission is obligated to reimburse the Housing Authority semi-annually for a rental subsidy, operating costs, debt service, and other expenses related to the initial development and on-going maintenance of the affordable units. The payment to the Housing Authority under the agreement is limited to Housing Set-Aside Revenues generated within WECIP after the Commission's administrative costs related to the agreement and debt service on tax allocation bonds referenced in the agreement (bonds originally issued in 1985, then redeemed with proceeds of the 1992 housing set-aside bonds, and now proposed to be refunded with the proposed 2011 Bonds). Payment is limited to the actual amount of the rental subsidy and other reimbursable expenses. Payments pursuant to this agreement are an unsecured contractual obligation of the Commission's Low and Moderate Income Housing Fund and therefore have not been reflected in the Table 7.0 projection.

3. Alameda Islander Motel Owner Participation Agreement

The Commission entered into an Owner Participation Agreement with the Housing Authority of the City of Alameda and Resources for Community Development in March 2011. The agreement contains a contractual funding commitment for an affordable housing project to be satisfied using proceeds of the proposed 2011 Bonds.

4. Collins Settlement Agreement

The Commission is a party to a settlement agreement dated October 5th 2010 with Francis and Catherine Collins. The Commission agreed in the settlement to reimburse site-specific tax increment and housing set-aside revenues to be generated by a proposed development on a 9.4 acre property to fund eligible expenses related to the proposed project. Pursuant to the agreement, the Commission has agreed to enter into an owner participation agreement that would provide for such reimbursement; however, as of the date of this Report no such agreement has been executed. The settlement agreement represents an unsecured contractual obligation of the Commission.

5. Affordable Housing Reimbursement Agreement

The Commission entered into a Affordable Housing Reimbursement Agreement with the Housing Authority of the City of Alameda on February 2, 2011. The Commission agreed to reimburse the Housing Authority for a series of projects identified in the agreement using any and all existing or future Housing Set-Aside Revenues or bond proceeds, which are not budgeted or appropriated for payment of other indebtedness. The Commission's obligations under the agreement are expressly subordinate to bonded indebtedness.

7.0 HOUSING SET-ASIDE REVENUE PROJECTION

7.1 Tax Increment and Housing Set-Aside Revenues

Property tax revenues in excess of the amount resulting from the valuation shown on the assessment roll for the base year of each component area of the Project Area is referred to as tax increment. The base year represents the fiscal year in which taxable property was last equalized prior to the effective date of the ordinance approving the Redevelopment Plan for each of the component areas of the Project Area. 20% of all tax increment must be deposited into a Low and Moderate Income Housing Fund.

Table 7.0 summarizes the Housing Set-Aside Revenue projection. Table 7.1 presents the projection for the BWIP Original Area, Table 7.2 presents the projection for the BWIP Exchange Area and Table 7.3 presents the projection for the WECIP area.

The projections are based upon the 2010-11 assessed values reported by the County Auditor-Controller. Application of an inflationary increase of 2% per year to Real Property values, reflection of estimated appeal impacts and Assessor reductions, results in the estimate of future values for the Project Area. The inflationary increase applied in projecting values for the 2011-12 roll is based on the reported factor of 0.75%. The projections do not assume any new development.

7.2 Trended Taxable Value Growth

The Housing Set-Aside Revenue projections commence with the 2010-11 fiscal year. The projection incorporates the valuation assumptions previously discussed in this Report. The projection is separated into Real Property and Personal Property values. The projected growth in Real Property taxable values has been limited to the maximum annual inflationary factor allowed under Proposition 13. This projection incorporates the reported inflationary factor of 0.75% for 2011-12 and assumes future inflationary growth commencing in 2012-13 will be 2% per year. Personal Property values are assumed to remain constant. The projections include an adjustment for pending appeals and potential downward adjustments to residential values by the Assessor as described in Section 4.4.

The projection of Housing Set-Aside Revenues available for debt service on the 2011 Bonds presented on Table 7.0 represents the combined 20% housing set-aside requirement for the Project Area less the portion of debt service on the Senior 2003 Series C and D bonds which is allocable to housing as described in Section 6.1.

7.3 Caveats

The projection reflects KMA's understanding of the assessment and tax apportionment procedures employed by the County. County procedures are subject to change as a reflection of policy revisions or legislative mandate. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections. Assumptions have also been made that Unitary tax revenues will continue to be allocated in the manner discussed herein and that legislatively-mandated payments to the State will not be required in future fiscal years. These projections reflect existing State policies and are subject to future legislative changes. Adoption of legislation to eliminate redevelopment agencies currently under consideration by the California Legislature is not assumed to become effective for purposes of this Report. The legislation as currently proposed is not expected to impair the ability to repay bond debt but would result in material changes to the characteristics of the revenue stream available for repayment from that which is documented in this Report.

No assurances are provided by KMA as to the certainty of the projected Tax Increment and Housing Set-Aside Revenues shown on Table 7.0 to 7.3. Actual revenues in future fiscal years may be higher or lower than what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due. The projection assumes the Commission files a statement of indebtedness each year which reflects sufficient outstanding indebtedness such that all Tax Increment Revenues available to be allocated to the Commission may be collected. The accuracy or completeness of assessment appeals identified in the attached table is based solely upon information provided by the County as of the original review of said data and was not audited by KMA.

Table 7.0
Housing Set-Aside Revenue Projection
Merged WECIP / BWIP Project Area
Alameda CIC
(\$000's Omitted)

Page 1 of 3

Plan Year Fiscal Year	Reported												
	8 2010-11	9 2011-12	10 2012-13	11 2013-14	12 2014-15	13 2015-16	14 2016-17	15 2017-18	16 2018-19	17 2019-20	18 2020-21	19 2021-22	20 2022-23
I. Real Property Value	1,466,764	1,466,764	1,387,897	1,415,655	1,443,968	1,472,847	1,502,304	1,532,350	1,562,997	1,594,257	1,626,142	1,658,665	1,691,838
Appeal Value Change (Table 5.0)	0	(65,912)	0	0	0	0	0	0	0	0	0	0	0
Assumed Assessor Adjustment ⁽¹⁾	0	(24,000)	0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽²⁾	0	11,045	27,758	28,313	28,879	29,457	30,046	30,647	31,260	31,885	32,523	33,173	33,837
Total Real Property Value	1,466,764	1,387,897	1,415,655	1,443,968	1,472,847	1,502,304	1,532,350	1,562,997	1,594,257	1,626,142	1,658,665	1,691,838	1,725,675
II. Personal Property	266,309	266,309	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896
Appeal Value Change (Table 5.0)	0	(16,412)	0	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	266,309	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896
III. Total Project Value	1,733,073	1,637,793	1,665,551	1,693,864	1,722,743	1,752,200	1,782,246	1,812,893	1,844,153	1,876,038	1,908,561	1,941,734	1,975,571
Less Base Value	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)	(306,633)
Incremental Value	1,426,440	1,331,160	1,358,918	1,387,231	1,416,110	1,445,567	1,475,613	1,506,260	1,537,520	1,569,405	1,601,928	1,635,101	1,668,938
IV. Gross Tax Increment at 1% ⁽³⁾	14,264	13,312	13,589	13,872	14,161	14,456	14,756	15,063	15,375	15,694	16,019	16,351	16,689
SBE Unitary Revenue	40	40	40	40	40	40	40	40	40	40	40	40	40
(Less) CRL 33676 Allocations	(502)	(533)	(564)	(596)	(628)	(662)	(695)	(730)	(765)	(801)	(838)	(875)	(913)
Subtotal Gross Tax Increment	13,803	12,819	13,065	13,317	13,573	13,834	14,101	14,373	14,650	14,933	15,221	15,516	15,816
V. Housing Set Aside 20%	2,761	2,564	2,613	2,663	2,715	2,767	2,820	2,875	2,930	2,987	3,044	3,103	3,163
Less 2003 C & D bonds (hsg share) ⁽⁴⁾	(438)	(430)	(198)	(198)	(198)	(197)	(196)	(197)	(197)	(196)	(195)	(195)	(194)
VI. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁵⁾	\$2,323	\$2,134	\$2,416	\$2,465	\$2,517	\$2,570	\$2,624	\$2,678	\$2,733	\$2,791	\$2,849	\$2,908	\$2,969
Less: AUSD Housing Obligation [subordinated]	(438)	(403)	(412)	(422)	(431)	(441)	(450)	(460)	(471)	(481)	(491)	(502)	(513)
Housing Set-aside after AUSD	1,884	1,730	2,003	2,043	2,086	2,129	2,174	2,218	2,263	2,310	2,358	2,406	2,456

Sources: Alameda County Assessor, Alameda County Auditor-Controller, Official Statement for 2003 C and D bonds.

Notes:

- ⁽¹⁾ Assumed pro-active adjustment by Assessor. Estimated based on review of AVs for Bayport residential project relative to market. See Section 4.3 of Report.
- ⁽²⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.
- ⁽³⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.
- ⁽⁴⁾ Consists of 100% of BWIP 2003 Series D bonds and 15.85% of Series C bonds based on portion of proceeds used for housing.
- ⁽⁵⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross T1 that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

Table 7.0
Housing Set-Aside Revenue Projection
Merged WECIP / BWIP Project Area
Alameda CIC
(\$000's Omitted)

	Plan Year Fiscal Year	21	22	23	24	25	26	27	28	29	30	31	WECIP TI Limit 7/5/36	
		2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	32
I. Real Property Value		1,725,675	1,760,188	1,795,392	1,831,300	1,867,926	1,905,285	1,943,390	1,982,258	2,021,903	2,062,341	2,103,588	2,145,660	2,188,573
Appeal Value Change (Table 5.0)		0	0	0	0	0	0	0	0	0	0	0	0	0
Assumed Assessor Adjustment ⁽¹⁾		0	0	0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽²⁾		<u>34,513</u>	<u>35,204</u>	<u>35,908</u>	<u>36,626</u>	<u>37,359</u>	<u>38,106</u>	<u>38,868</u>	<u>39,645</u>	<u>40,438</u>	<u>41,247</u>	<u>42,072</u>	<u>42,913</u>	<u>43,771</u>
Total Real Property Value		1,760,188	1,795,392	1,831,300	1,867,926	1,905,285	1,943,390	1,982,258	2,021,903	2,062,341	2,103,588	2,145,660	2,188,573	2,232,345
II. Personal Property		249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896
Appeal Value Change (Table 5.0)		0	0	0	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value		249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896	249,896
III. Total Project Value		2,010,085	2,045,289	2,081,196	2,117,822	2,155,181	2,193,287	2,232,154	2,271,800	2,312,238	2,353,484	2,395,556	2,438,469	2,482,241
Less Base Value		<u>(306,633)</u>	<u>(306,633)</u>											
Incremental Value		1,703,452	1,738,656	1,774,563	1,811,189	1,848,548	1,886,654	1,925,521	1,965,167	2,005,605	2,046,851	2,088,923	2,131,836	2,175,608
IV. Gross Tax Increment at 1% ⁽³⁾		17,035	17,387	17,746	18,112	18,485	18,867	19,255	19,652	20,056	20,469	20,889	21,318	21,756
SBE Unitary Revenue		40	40	40	40	40	40	40	40	40	40	40	40	40
(Less) CRL 33676 Allocations		<u>(952)</u>	<u>(992)</u>	<u>(1,033)</u>	<u>(1,074)</u>	<u>(1,116)</u>	<u>(1,159)</u>	<u>(1,203)</u>	<u>(1,247)</u>	<u>(1,293)</u>	<u>(1,340)</u>	<u>(1,387)</u>	<u>(1,435)</u>	<u>(1,485)</u>
Subtotal Gross Tax Increment		16,122	16,435	16,753	17,078	17,410	17,748	18,092	18,444	18,803	19,169	19,542	19,923	20,311
V. Housing Set Aside	20%	3,224	3,287	3,351	3,416	3,482	3,550	3,618	3,689	3,761	3,834	3,908	3,985	4,062
Less 2003 C & D bonds (hsg share) ⁽⁴⁾		(195)	(194)	(193)	(192)	(192)	(192)	(191)	(190)	(191)	0	0	0	0
VI. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁵⁾		\$3,030	\$3,093	\$3,157	\$3,224	\$3,290	\$3,358	\$3,428	\$3,499	\$3,570	\$3,834	\$3,908	\$3,985	\$4,062
Less: AUSD Housing Obligation [subordinated]		(525)	(536)	(548)	(560)	(572)	(584)	(597)	(610)	(623)	(636)	(650)	(664)	(678)
Housing Set-aside after AUSD		2,505	2,557	2,609	2,664	2,718	2,774	2,831	2,889	2,947	3,197	3,258	3,320	3,384

Sources: Alameda County Assessor, Alameda County Auditor-Controller, Official Statement for 2003 C and D bonds.

Notes:

- ⁽¹⁾ Assumed pro-active adjustment by Assessor. Estimated based on review of AVs for Bayport residential project relative to market. See Section 4.3 of Report.
- ⁽²⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.
- ⁽³⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.
- ⁽⁴⁾ Consists of 100% of BWIP 2003 Series D bonds and 15.85% of Series C bonds based on portion of proceeds used for housing.
- ⁽⁵⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

Table 7.0
Housing Set-Aside Revenue Projection
Merged WECIP / BWIP Project Area
Alameda CIC
(\$000's Omitted)

Plan Year Fiscal Year	BWIP Orig. TI Receipt Limit 6/18/42						BWIP Exchange TI Receipt 5/1/49						
	34 2036-37	35 2037-38	36 2038-39	37 2039-40	38 2040-41	39 2041-42	40 2042-43	41 2043-44	42 2044-45	43 2045-46	44 2046-47	45 2047-48	46 2048-49
I. Real Property Value	1,671,354	1,704,782	1,738,877	1,773,655	1,809,128	1,845,310	575,056	586,557	598,289	610,254	622,459	634,909	647,607
Appeal Value Change (Table 5.0)	0	0	0	0	0	0	0	0	0	0	0	0	0
Assumed Assessor Adjustment ⁽¹⁾	0	0	0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽²⁾	<u>33,427</u>	<u>34,096</u>	<u>34,778</u>	<u>35,473</u>	<u>36,183</u>	<u>36,906</u>	<u>11,501</u>	<u>11,731</u>	<u>11,966</u>	<u>12,205</u>	<u>12,449</u>	<u>12,698</u>	<u>12,952</u>
Total Real Property Value	1,704,782	1,738,877	1,773,655	1,809,128	1,845,310	1,882,217	586,557	598,289	610,254	622,459	634,909	647,607	660,560
II. Personal Property	128,336	128,336	128,336	128,336	128,336	128,336	1,726	1,726	1,726	1,726	1,726	1,726	1,726
Appeal Value Change (Table 5.0)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value	128,336	128,336	128,336	128,336	128,336	128,336	1,726	1,726	1,726	1,726	1,726	1,726	1,726
III. Total Project Value	1,833,117	1,867,213	1,901,990	1,937,463	1,973,646	2,010,552	588,283	600,015	611,980	624,185	636,635	649,333	662,286
Less Base Value	<u>(292,871)</u>	<u>(292,871)</u>	<u>(292,871)</u>	<u>(292,871)</u>	<u>(292,871)</u>	<u>(292,871)</u>	<u>(1,211)</u>	<u>(1,211)</u>	<u>(1,211)</u>	<u>(1,211)</u>	<u>(1,211)</u>	<u>(1,211)</u>	<u>(1,211)</u>
Incremental Value	1,540,246	1,574,342	1,609,119	1,644,593	1,680,775	1,717,681	587,072	598,803	610,769	622,974	635,423	648,122	661,075
IV. Gross Tax Increment at 1% ⁽³⁾	15,402	15,743	16,091	16,446	16,808	16,801	5,871	5,988	6,108	6,230	6,354	6,481	5,506
SBE Unitary Revenue	8	8	8	8	8	8	0	0	0	0	0	0	0
(Less) CRL 33676 Allocations	<u>(1,535)</u>	<u>(1,587)</u>	<u>(1,639)</u>	<u>(1,692)</u>	<u>(1,747)</u>	<u>(1,802)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Gross Tax Increment	13,875	14,165	14,460	14,761	15,069	15,007	5,871	5,988	6,108	6,230	6,354	6,481	5,506
V. Housing Set Aside 20%	2,775	2,833	2,892	2,952	3,014	3,001	1,174	1,198	1,222	1,246	1,271	1,296	1,101
Less 2003 C & D bonds (hsg share) ⁽⁴⁾	0	0	0	0	0	0	0	0	0	0	0	0	0
VI. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁵⁾	\$2,775	\$2,833	\$2,892	\$2,952	\$3,014	\$3,001	\$1,174	\$1,198	\$1,222	\$1,246	\$1,271	\$1,296	\$1,101
Less: AUSD Housing Obligation [subordinated]	(693)	(708)	(723)	(738)	(754)	(740)	0	0	0	0	0	0	0
Housing Set-aside after AUSD	2,082	2,125	2,169	2,214	2,260	2,261	1,174	1,198	1,222	1,246	1,271	1,296	1,101

Sources: Alameda County Assessor, Alameda County Auditor-Controller, Official Statement for 2003 C and D bonds.

Notes:

- ⁽¹⁾ Assumed pro-active adjustment by Assessor. Estimated based on review of AVs for Bayport residential project relative to market. See Section 4.3 of Report.
- ⁽²⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.
- ⁽³⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.
- ⁽⁴⁾ Consists of 100% of BWIP 2003 Series D bonds and 15.85% of Series C bonds based on portion of proceeds used for housing.
- ⁽⁵⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

Table 7.1
Housing Set-Aside Revenue Projection
BWIP Original Area
Alameda CIC
(\$000's Omitted)

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	Plan Year Fiscal Year	Reported										
		20 2010-11	21 2011-12	22 2012-13	23 2013-14	24 2014-15	25 2015-16	26 2016-17	27 2017-18	28 2018-19	29 2019-20	30 2020-21
I. Real Property Value		746,543	746,543	721,645	736,078	750,800	765,816	781,132	796,755	812,690	828,943	845,522
Appeal Value Change (Table 5.1)		0	(30,520)	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽¹⁾		0	5,621	14,433	14,722	15,016	15,316	15,623	15,935	16,254	16,579	16,910
Total Real Property Value		746,543	721,645	736,078	750,800	765,816	781,132	796,755	812,690	828,943	845,522	862,433
II. Personal Property		142,478	142,478	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609
Appeal Value Change (Table 5.1)		0	(15,869)	0	0	0	0	0	0	0	0	0
Total Personal Property Value		142,478	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609
III. Total Project Value		889,022	848,255	862,688	877,409	892,425	907,741	923,364	939,299	955,553	972,132	989,042
Less Base Value		(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)
Incremental Value		597,362	556,595	571,028	585,749	600,765	616,082	631,704	647,639	663,893	680,472	697,383
IV. Gross Tax Increment at 1% ⁽²⁾		5,974	5,566	5,710	5,857	6,008	6,161	6,317	6,476	6,639	6,805	6,974
SBE Unitary Revenue		8	8	8	8	8	8	8	8	8	8	8
(Less) CRL 33676 Allocations		(502)	(533)	(564)	(596)	(628)	(662)	(695)	(730)	(765)	(801)	(838)
Subtotal Gross Tax Increment		5,479	5,041	5,154	5,269	5,387	5,507	5,629	5,754	5,881	6,011	6,144
V. Housing Set Aside	20%	1,096	1,008	1,031	1,054	1,077	1,101	1,126	1,151	1,176	1,202	1,229
Less 2003 C& D bonds (hsg share) ⁽³⁾		(438)	(430)	(198)	(198)	(198)	(197)	(196)	(197)	(197)	(196)	(195)
VI. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁴⁾		\$658	\$578	\$833	\$856	\$879	\$904	\$930	\$954	\$980	\$1,006	\$1,034
Less: AUSD Housing Obligation [subordinated]		(438)	(403)	(412)	(422)	(431)	(441)	(450)	(460)	(471)	(481)	(491)
Net Housing after AUSD Obligation		220	175	421	434	448	464	479	494	509	525	542

Sources: Alameda County Assessor, Alameda County Auditor-Controller, Official Statement for 2003 C and D bonds.

Notes:

⁽¹⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.

⁽²⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.

⁽³⁾ Consists of 100% of BWIP 2003 Series D bonds and 15.85% of Series C bonds based on portion of proceeds used for housing. Although debt service is identified on the BWIP Original projection, housing funds from the BWIP Exchange are also available for debt service on the bonds.

⁽⁴⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

Table 7.1
Housing Set-Aside Revenue Projection
BWIP Original Area
Alameda CIC
(\$000's Omitted)

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	Plan Year	31	32	33	34	35	36	37	38	39	40	41
	Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
I. Real Property Value		862,433	879,681	897,275	915,221	933,525	952,195	971,239	990,664	1,010,477	1,030,687	1,051,301
Appeal Value Change (Table 5.1)		0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽¹⁾		17,249	17,594	17,946	18,304	18,670	19,044	19,425	19,813	20,210	20,614	21,026
Total Real Property Value		879,681	897,275	915,221	933,525	952,195	971,239	990,664	1,010,477	1,030,687	1,051,301	1,072,327
II. Personal Property		126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609
Appeal Value Change (Table 5.1)		0	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value		126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609
III. Total Project Value		1,006,291	1,023,885	1,041,830	1,060,134	1,078,805	1,097,849	1,117,274	1,137,087	1,157,296	1,177,910	1,198,936
Less Base Value		(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)
Incremental Value		714,631	732,225	750,170	768,475	787,145	806,189	825,614	845,427	865,637	886,251	907,277
IV. Gross Tax Increment at 1% ⁽²⁾		7,146	7,322	7,502	7,685	7,871	8,062	8,256	8,454	8,656	8,863	9,073
SBE Unitary Revenue		8	8	8	8	8	8	8	8	8	8	8
(Less) CRL 33676 Allocations		(875)	(913)	(952)	(992)	(1,033)	(1,074)	(1,116)	(1,159)	(1,203)	(1,247)	(1,293)
Subtotal Gross Tax Increment		6,279	6,416	6,557	6,700	6,847	6,996	7,148	7,303	7,461	7,623	7,787
V. Housing Set Aside	20%	1,256	1,283	1,311	1,340	1,369	1,399	1,430	1,461	1,492	1,525	1,557
Less 2003 C& D bonds (hsg share) ⁽³⁾		(195)	(194)	(195)	(194)	(193)	(192)	(192)	(192)	(191)	(190)	(191)
VI. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁴⁾		\$1,061	\$1,089	\$1,117	\$1,146	\$1,176	\$1,207	\$1,238	\$1,269	\$1,301	\$1,335	\$1,367
Less: AUSD Housing Obligation [subordinated]		(502)	(513)	(525)	(536)	(548)	(560)	(572)	(584)	(597)	(610)	(623)
Net Housing after AUSD Obligation		558	576	592	610	628	647	666	685	705	725	744

Sources: Alameda County Assessor, Alameda County Auditor-Controller, Official Statement for 2003 C and D bonds.

Notes:

- ⁽¹⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.
- ⁽²⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.
- ⁽³⁾ Consists of 100% of BWIP 2003 Series D bonds and 15.85% of Series C bonds based on portion of proceeds used for housing. Although debt service is identified on the BWIP Original projection, housing funds from the BWIP Exchange are also available for debt service on the bonds.
- ⁽⁴⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

Table 7.1
Housing Set-Aside Revenue Projection
BWIP Original Area
Alameda CIC
(\$000's Omitted)

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	Plan Year	TI Receipt Limit 6/18/42									
		42	43	44	45	46	47	48	49	50	51
	Fiscal Year	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42
I. Real Property Value		1,072,327	1,093,773	1,115,649	1,137,962	1,160,721	1,183,935	1,207,614	1,231,766	1,256,402	1,281,530
Appeal Value Change (Table 5.1)		0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽¹⁾		21,447	21,875	22,313	22,759	23,214	23,679	24,152	24,635	25,128	25,631
Total Real Property Value		1,093,773	1,115,649	1,137,962	1,160,721	1,183,935	1,207,614	1,231,766	1,256,402	1,281,530	1,307,160
II. Personal Property		126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609
Appeal Value Change (Table 5.1)		0	0	0	0	0	0	0	0	0	0
Total Personal Property Value		126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609	126,609
III. Total Project Value		1,220,383	1,242,258	1,264,571	1,287,330	1,310,545	1,334,224	1,358,376	1,383,011	1,408,139	1,433,770
Less Base Value		(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)	(291,660)
Incremental Value		928,723	950,599	972,912	995,671	1,018,885	1,042,564	1,066,716	1,091,352	1,116,480	1,142,110
IV. Gross Tax Increment at 1% ⁽²⁾		9,287	9,506	9,729	9,957	10,189	10,426	10,667	10,914	11,165	11,046
SBE Unitary Revenue		8	8	8	8	8	8	8	8	8	8
(Less) CRL 33676 Allocations		(1,340)	(1,387)	(1,435)	(1,485)	(1,535)	(1,587)	(1,639)	(1,692)	(1,747)	(1,802)
Subtotal Gross Tax Increment		7,955	8,127	8,301	8,480	8,661	8,847	9,036	9,229	9,426	9,251
V. Housing Set Aside	20%	1,591	1,625	1,660	1,696	1,732	1,769	1,807	1,846	1,885	1,850
Less 2003 C& D bonds (hsg share) ⁽³⁾		0	0	0	0	0	0	0	0	0	0
VI. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁴⁾		\$1,591	\$1,625	\$1,660	\$1,696	\$1,732	\$1,769	\$1,807	\$1,846	\$1,885	\$1,850
Less: AUSD Housing Obligation [subordinated]		(636)	(650)	(664)	(678)	(693)	(708)	(723)	(738)	(754)	(740)
Net Housing after AUSD Obligation		955	975	996	1,018	1,039	1,062	1,084	1,107	1,131	1,110

Sources: Alameda County Assessor, Alameda County Auditor-Controller, Official Statement for 2003 C and D bonds.

Notes:

- ⁽¹⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.
- ⁽²⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.
- ⁽³⁾ Consists of 100% of BWIP 2003 Series D bonds and 15.85% of Series C bonds based on portion of proceeds used for housing. Although debt service is identified on the BWIP Original projection, housing funds from the BWIP Exchange are also available for debt service on the bonds.
- ⁽⁴⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

Table 7.2
Housing Set-Aside Revenue Projection
BWIP Exchange Area
Alameda CIC
(\$000's Omitted)

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Plan Year Fiscal Year	Reported												
	8 2010-11	9 2011-12	10 2012-13	11 2013-14	12 2014-15	13 2015-16	14 2016-17	15 2017-18	16 2018-19	17 2019-20	18 2020-21	19 2021-22	20 2022-23
I. Real Property Value	340,353	340,353	317,472	323,821	330,298	336,904	343,642	350,515	357,525	364,675	371,969	379,408	386,996
Appeal Value Change (Table 5.2)	0	(1,444)	0	0	0	0	0	0	0	0	0	0	0
Assumed Assessor Adjustment ⁽¹⁾	0	(24,000)	0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽²⁾	0	2,563	6,349	6,476	6,606	6,738	6,873	7,010	7,150	7,294	7,439	7,588	7,740
Total Real Property Value	340,353	317,472	323,821	330,298	336,904	343,642	350,515	357,525	364,675	371,969	379,408	386,996	394,736
II. Personal Property	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726
III. Total Project Value	342,079	319,198	325,547	332,024	338,630	345,368	352,241	359,251	366,401	373,695	381,134	388,722	396,462
Less Base Value	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)
Incremental Value	340,868	317,987	324,336	330,813	337,419	344,157	351,029	358,040	365,190	372,484	379,923	387,511	395,251
IV. Gross Tax Increment at 1% ⁽³⁾	3,409	3,180	3,243	3,308	3,374	3,442	3,510	3,580	3,652	3,725	3,799	3,875	3,953
V. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁴⁾	\$682	\$636	\$649	\$662	\$675	\$688	\$702	\$716	\$730	\$745	\$760	\$775	\$791

Sources: Alameda County Assessor, Alameda County Auditor-Controller.

Notes:

⁽¹⁾ Assumed pro-active adjustment by Assessor. Estimated based on review of AVs for Bayport residential project relative to market. See Section 4.3 of Report.

⁽²⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.

⁽³⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.

⁽⁴⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

Table 7.2
Housing Set-Aside Revenue Projection
BWIP Exchange Area
Alameda CIC
(\$000's Omitted)

Page 2 of 3

	Plan Year Fiscal Year	21 2023-24	22 2024-25	23 2025-26	24 2026-27	25 2027-28	26 2028-29	27 2029-30	28 2030-31	29 2031-32	30 2032-33	31 2033-34	32 2034-35	33 2035-36
I. Real Property Value		394,736	402,631	410,684	418,897	427,275	435,821	444,537	453,428	462,496	471,746	481,181	490,805	500,621
Appeal Value Change (Table 5.2)		0	0	0	0	0	0	0	0	0	0	0	0	0
Assumed Assessor Adjustment ⁽¹⁾		0	0	0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽²⁾		<u>7,895</u>	<u>8,053</u>	<u>8,214</u>	<u>8,378</u>	<u>8,546</u>	<u>8,716</u>	<u>8,891</u>	<u>9,069</u>	<u>9,250</u>	<u>9,435</u>	<u>9,624</u>	<u>9,816</u>	<u>10,012</u>
Total Real Property Value		402,631	410,684	418,897	427,275	435,821	444,537	453,428	462,496	471,746	481,181	490,805	500,621	510,633
II. Personal Property		1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726
III. Total Project Value		404,357	412,410	420,623	429,001	437,547	446,263	455,154	464,223	473,473	482,907	492,531	502,347	512,360
Less Base Value		<u>(1,211)</u>												
Incremental Value		403,146	411,199	419,412	427,790	436,336	445,052	453,943	463,011	472,261	481,696	491,320	501,136	511,148
IV. Gross Tax Increment at 1% ⁽³⁾		4,031	4,112	4,194	4,278	4,363	4,451	4,539	4,630	4,723	4,817	4,913	5,011	5,111
V. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁴⁾		\$806	\$822	\$839	\$856	\$873	\$890	\$908	\$926	\$945	\$963	\$983	\$1,002	\$1,022

Sources: Alameda County Assessor, Alameda County Auditor-Controller.

Notes:

- ⁽¹⁾ Assumed pro-active adjustment by Assessor. Estimated based on review of AVs for Bayport residential project relative to market. See Section 4.3 of Report.
- ⁽²⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.
- ⁽³⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.
- ⁽⁴⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

**Table 7.2
Housing Set-Aside Revenue Projection
BWIP Exchange Area
Alameda CIC
(\$000's Omitted)**

Page 3 of 3

Plan Year Fiscal Year	34	35	36	37	38	39	40	41	42	43	44	TI Receipt 5/1/49	
	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	45
I. Real Property Value	510,633	520,846	531,263	541,888	552,726	563,781	575,056	586,557	598,289	610,254	622,459	634,909	647,607
Appeal Value Change (Table 5.2)	0	0	0	0	0	0	0	0	0	0	0	0	0
Assumed Assessor Adjustment ⁽¹⁾	0	0	0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽²⁾	10,213	10,417	10,625	10,838	11,055	11,276	11,501	11,731	11,966	12,205	12,449	12,698	12,952
Total Real Property Value	520,846	531,263	541,888	552,726	563,781	575,056	586,557	598,289	610,254	622,459	634,909	647,607	660,560
II. Personal Property	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726	1,726
III. Total Project Value	522,572	532,989	543,614	554,452	565,507	576,782	588,283	600,015	611,980	624,185	636,635	649,333	662,286
Less Base Value	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)	(1,211)
Incremental Value	521,361	531,778	542,403	553,241	564,296	575,571	587,072	598,803	610,769	622,974	635,423	648,122	661,075
IV. Gross Tax Increment at 1% ⁽³⁾	5,214	5,318	5,424	5,532	5,643	5,756	5,871	5,988	6,108	6,230	6,354	6,481	5,506
V. Pledged Housing Set Aside Revenues (\$Thousands) ⁽⁴⁾	\$1,043	\$1,064	\$1,085	\$1,106	\$1,129	\$1,151	\$1,174	\$1,198	\$1,222	\$1,246	\$1,271	\$1,296	\$1,101

Sources: Alameda County Assessor, Alameda County Auditor-Controller.

Notes:

- ⁽¹⁾ Assumed pro-active adjustment by Assessor. Estimated based on review of AVs for Bayport residential project relative to market. See Section 4.3 of Report.
- ⁽²⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.
- ⁽³⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.
- ⁽⁴⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. Housing Set-Aside Revenues generated by the Alameda Landing Project are not included in Pledged Housing Set-aside Revenues. Currently the Alameda Landing property does not generate any tax increment (or housing set-aside).

**Table 7.3
Housing Set-Aside Revenue Projection
West End Com. Improvement Project
Alameda CIC
(\$000's Omitted)**

Page 1 of 2

	Plan Year	Reported												
		27	28	29	30	31	32	33	34	35	36	37	38	39
	Fiscal Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
I. Real Property Value		379,868	379,868	348,780	355,755	362,870	370,128	377,530	385,081	392,783	400,638	408,651	416,824	425,160
Appeal Value Change (Table 5.3)		0	(33,948)	0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽¹⁾		0	2,860	6,976	7,115	7,257	7,403	7,551	7,702	7,856	8,013	8,173	8,336	8,503
Total Real Property Value		379,868	348,780	355,755	362,870	370,128	377,530	385,081	392,783	400,638	408,651	416,824	425,160	433,664
II. Personal Property		122,104	122,104	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561
Appeal Value Change (Table 5.3)		0	(544)	0	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value		122,104	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561
III. Total Project Value		501,972	470,340	477,316	484,431	491,688	499,091	506,642	514,343	522,199	530,212	538,385	546,721	555,224
Less Base Value		(13,762)	(13,762)	(13,762)	(13,762)	(13,762)	(13,762)	(13,762)	(13,762)	(13,762)	(13,762)	(13,762)	(13,762)	(13,762)
Incremental Value		488,210	456,578	463,554	470,669	477,926	485,329	492,879	500,581	508,437	516,449	524,622	532,959	541,462
IV. Gross Tax Increment at 1% ⁽²⁾		4,882	4,566	4,636	4,707	4,779	4,853	4,929	5,006	5,084	5,164	5,246	5,330	5,415
SBE Unitary Revenue		32	32	32	32	32	32	32	32	32	32	32	32	32
Total Gross Tax Increment		4,914	4,598	4,668	4,739	4,812	4,886	4,961	5,038	5,117	5,197	5,279	5,362	5,447
V. Pledged Housing Set Aside Revenues (\$Thousands) ⁽³⁾	20%	\$983	\$920	\$934	\$948	\$962	\$977	\$992	\$1,008	\$1,023	\$1,039	\$1,056	\$1,072	\$1,089

Sources: Alameda County Assessor, Alameda County Auditor-Controller.

Notes:

⁽¹⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.

⁽²⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.

⁽³⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. 1992 WECIP housing bonds assumed to be refunded with proceeds of the 2011 Bonds.

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts in this projection.

Prepared by Keyser Marston Associates, Inc.

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Table 7.3
Housing Set-Aside Revenue Projection
West End Com. Improvement Project
Alameda CIC
(\$000's Omitted)

Page 2 of 2

	Plan Year	40	41	42	43	44	45	46	47	48	49	50	51	52
	Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
I. Real Property Value		433,664	442,337	451,184	460,207	469,411	478,800	488,376	498,143	508,106	518,268	528,634	539,206	549,990
Appeal Value Change (Table 5.3)		0	0	0	0	0	0	0	0	0	0	0	0	0
Prop 13 Growth ⁽¹⁾		<u>8,673</u>	<u>8,847</u>	<u>9,024</u>	<u>9,204</u>	<u>9,388</u>	<u>9,576</u>	<u>9,768</u>	<u>9,963</u>	<u>10,162</u>	<u>10,365</u>	<u>10,573</u>	<u>10,784</u>	<u>11,000</u>
Total Real Property Value		442,337	451,184	460,207	469,411	478,800	488,376	498,143	508,106	518,268	528,634	539,206	549,990	560,990
II. Personal Property		121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561
Appeal Value Change (Table 5.3)		0	0	0	0	0	0	0	0	0	0	0	0	0
Total Personal Property Value		121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561	121,561
III. Total Project Value		563,898	572,744	581,768	590,972	600,360	609,936	619,704	629,667	639,829	650,194	660,767	671,551	682,551
Less Base Value		<u>(13,762)</u>												
Incremental Value		550,135	558,982	568,006	577,210	586,598	596,174	605,942	615,905	626,067	636,432	647,005	657,789	668,789
IV. Gross Tax Increment at 1% ⁽²⁾		5,501	5,590	5,680	5,772	5,866	5,962	6,059	6,159	6,261	6,364	6,470	6,578	6,688
SBE Unitary Revenue		<u>32</u>												
Total Gross Tax Increment		5,534	5,622	5,712	5,804	5,898	5,994	6,092	6,191	6,293	6,397	6,502	6,610	6,720
V. Pledged Housing Set Aside Revenues (\$Thousands) ⁽³⁾	20%	\$1,107	\$1,124	\$1,142	\$1,161	\$1,180	\$1,199	\$1,218	\$1,238	\$1,259	\$1,279	\$1,300	\$1,322	\$1,344

Sources: Alameda County Assessor, Alameda County Auditor-Controller.

Notes:

⁽¹⁾ Based upon maximum inflationary growth of 2% except in FY 2011-12 based on reported factor of 0.75%.

⁽²⁾ Basic 1% levy exclusive of eligible voter approved over-ride levies.

⁽³⁾ Projection assumes Commission files a statement of indebtedness each year resulting in collection of 100% of gross TI that is available to be allocated. 1992 WECIP housing bonds assumed to be refunded with proceeds of the 2011 Bonds.

Actual taxable values, tax increment, and the timing of the tax increment may vary from the amounts in this projection.

Prepared by Keyser Marston Associates, Inc.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

May __, 2011

Community Improvement Commission
of the City of Alameda
2263 Santa Clara Avenue
Alameda, California 94501

OPINION: \$9,870,000 Community Improvement Commission of the City of Alameda 2011 Tax Allocation Housing Bonds, Subordinate Series A (Taxable) (Merged WECIP/BWIP Project Area) and \$1,165,000 Community Improvement Commission of the City of Alameda 2011 Tax Allocation Housing Bonds, Subordinate Series B (Tax-Exempt) (Merged WECIP/BWIP Project Area)

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Community Improvement Commission of the City of Alameda (the "Agency") of its \$9,870,000 Community Improvement Commission of the City of Alameda Merged 2011 Tax Allocation Housing Bonds, Subordinate Series A (Taxable) (Merged WECIP/BWIP Project Area) (the "2011 Series A Bonds"), and its \$1,165,000 Community Improvement Commission of the City of Alameda Merged 2011 Tax Allocation Housing Bonds, Subordinate Series B (Tax-Exempt) (Merged WECIP/BWIP Project Area) (the "2011 Series B Bonds," and, together with the 2011 Series A Bonds, the "Bonds"), pursuant to the provisions of the Community Redevelopment Law of the State of California (the "Law"), Resolution No. 11-179, adopted by the Agency on March 2, 2011, a Resolution adopted by the Agency on April 6, 2011, and an Indenture of Trust, dated as of May 1, 2011 (the "Indenture"), between the Agency and Union Bank, N.A., as trustee.

In connection with this opinion, 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 the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing we are of the opinion, under existing law, that:

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.
2. The Indenture has been duly approved by the Agency and constitutes a valid and binding obligation of the Agency enforceable in accordance with its terms.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, on a parity with the lien thereon with respect to any future Parity Debt, as such term is defined in the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

5. Subject to the Agency's compliance with certain covenants, interest on the 2011 Series B Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the Agency to comply with one or more of such covenants could cause interest on the 2011 Series B Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2011 Series B Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

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 also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the Agency and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA (the "Agency") in connection with the issuance of \$9,870,000 Community Improvement Commission of the City of Alameda 2011 Tax Allocation Housing Bonds, Subordinate Series A (Taxable) (Merged WECIP/BWIP Project Area) (the "2011 Series A Bonds"), and \$1,165,000 Community Improvement Commission of the City of Alameda 2011 Tax Allocation Housing Bonds, Subordinate Series B (Tax-Exempt) (Merged WECIP/BWIP Project Area) (the "2011 Series B Bonds" and, together with the 2011 Series A Bonds, the "2011 Bonds"). The 2011 Bonds are being issued pursuant to that certain Indenture of Trust, dated as of May 1, 2011 (the "Indenture"), by and between the Agency and Union Bank, N.A., as trustee (the "Trustee"). The 2011 Bonds are secured by a pledge, charge and lien upon Housing Tax Increment Revenues (as such term is defined in the Indenture).

Pursuant to Section 5.12 of the Indenture, the Agency covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"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 who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2011 Bonds (including persons holding 2011 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2011 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the City of Alameda, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation. In the absence of such a designation, the Agency shall act as the Dissemination Agent.

"EMMA" or *"Electronic Municipal Market Access"* means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Participating Underwriter" shall mean any original underwriter of the 2011 Bonds required to comply with the Rule in connection with offering of the 2011 Bonds.

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

Section 2. 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 2011 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The Agency shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Agency's fiscal year (which currently ends on June 30), commencing with the report for the 2010-11 Fiscal Year, which is due not later than March 31, 2012, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that 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.

(b) *Change of Fiscal Year.* 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), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Agency.

(d) *Report of Non-Compliance.* If the Agency is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the Agency shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the Agency is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the Agency for the most recently completed fiscal year, prepared in accordance generally accepted accounting principles. 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.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the Agency, the Annual Report shall also include the following information with respect to the Merged Project Area for the most recently completed fiscal year:

(1) Taxable assessed values for the most recent fiscal year, in substantially the format of Table 2 of the Official Statement for the 2011 Bonds (the "Official Statement");

(2) Housing Tax Increment Revenues for the most recent fiscal year;

(3) An update of the ten largest property taxpayers by assessed value in the Merged Project Area, in substantially the format of Table 4 of the Official Statement;

(4) Issuance by the Agency of any Parity Debt or Subordinate Debt including date of issue, amount, term, rating, and any applicable bond insurance, since the date of the last annual report;

(5) If the County of Alameda ceases to allocate tax increment revenues to the Agency in accordance with the County's Teeter Plan, tax levy, percentage of current year levy collected, percentage of current levy delinquent, total collections and total collections as a percentage of the most recent year's tax levy for the Merged Project Area or the City as a whole;

(6) Amount of all Agency debt or other obligations outstanding secured in whole or in part by a pledge of the Housing Tax Increment Revenues and cumulative amount of Housing Tax Increment Revenues received by the Agency to date;

(7) Current year annual debt service and debt service coverage ratio for the 2011 Bonds and all Parity Debt in substantially the format of Table 6 of the Official Statement; and

(8) Evidence of compliance with the "Annual Review of Housing Tax Increment Revenues" covenant set forth in Section 5.14 of the Indenture.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on EMMA. The Agency shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Agency shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The Agency shall, or shall cause the Dissemination (if not the Agency) to, give notice of the occurrence of any of the following events with respect to the 2011 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2011 Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.

- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The Agency shall, or shall cause the Dissemination Agent (if not the Agency) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected 2011 Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the 2011 Bonds. If such termination occurs prior to the final maturity of the 2011 Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of 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. If the Dissemination Agent is not the Agency, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the Agency. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Agency shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the Agency.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder as agreed to between the Dissemination Agent and the Agency from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Agency, owners or Beneficial Owners, or any other party. The Dissemination

Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the Agency or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Agency. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the Agency to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the Agency under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the Agency that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), 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 2011 Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2011 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the Agency shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 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. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. 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 12. 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 no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, 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 the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The obligations of the Agency under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the 2011 Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the 2011 Bonds, and shall create no rights in any other person or entity.

Date: May 19, 2011

COMMUNITY IMPROVEMENT
COMMISSION OF THE CITY OF
ALAMEDA

By _____
Acting Executive Director

ACKNOWLEDGED:

CITY OF ALAMEDA, as Dissemination
Agent

By _____
Acting City Manager

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Community Improvement Commission of the City of Alameda

Name of Issue: \$9,870,000 Community Improvement Commission of the City of Alameda 2011 Tax Allocation Housing Bonds, Subordinate Series A (Taxable) (Merged WECIP/BWIP Project Area)

\$1,165,000 Community Improvement Commission of the City of Alameda 2011 Tax Allocation Housing Bonds, Subordinate Series B (Tax-Exempt) (Merged WECIP/BWIP Project Area)

Date of Issuance: May 19, 2011

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated May 19, 2011, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

CITY OF ALAMEDA, Dissemination Agent

By _____
Authorized Officer

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX G HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY ("DTC"), NEW YORK, NEW YORK, FOR USE IN SECURITIES OFFERING DOCUMENTS, AND THE COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA (THE "AGENCY") TAKES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THE AGENCY CANNOT GIVE ANY ASSURANCES THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE THE BENEFICIAL OWNERS EITHER (A) PAYMENTS OF INTEREST, PRINCIPAL OR PREMIUM, IF ANY, WITH RESPECT TO THE BONDS OR (B) CERTIFICATES REPRESENTING OWNERSHIP INTEREST IN OR OTHER CONFIRMATION OF OWNERSHIP INTEREST IN THE BONDS, OR THAT THEY WILL SO DO ON A TIMELY BASIS OR THAT DTC, DTC DIRECT PARTICIPANTS OR DTC INDIRECT PARTICIPANTS WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their

registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond 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 its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond 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.

NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS FOR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS ON THE BONDS OR THE PROVIDING OF NOTICES TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.