

## PRELIMINARY OFFICIAL STATEMENT DATED JULY 16, 2014

### TWO NEW ISSUES—BOOK-ENTRY ONLY

### **RATINGS:**

S&P: “AA” (Insured Bonds)  
S&P: “A+” (Uninsured Bonds)  
See “RATINGS” herein

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the Successor Agency with certain covenants, interest on the Series 2014A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Series 2014B Bonds is includible in gross income of the owners thereof for federal income tax purposes. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.



### **SUCCESSOR AGENCY TO THE EMERYVILLE REDEVELOPMENT AGENCY (Alameda County, California)**

**\$100,000,000\*** Tax Allocation Refunding Bonds, Series 2014A  
**\$15,000,000\*** Taxable Tax Allocation Refunding Bonds, Series 2014B

**Dated: Date of Delivery**

**Due: September 1, as shown on the inside cover**

The \$100,000,000\* Successor Agency to the Emeryville Redevelopment Agency Tax Allocation Refunding Bonds, Series 2014A (the “Series 2014A Bonds”), and \$15,000,000\* Successor Agency to the Emeryville Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2014B (the “Series 2014B Bonds” and, with the Series A Bonds, the “Bonds”), are being issued by the Successor Agency to the Emeryville Redevelopment Agency (the “Successor Agency”) pursuant to the provisions of section 34177.5 of the California Health and Safety Code and section 53580 *et seq.* of the California Government Code (collectively, the “Refunding Bond Law”), a resolution adopted by the Successor Agency and an indenture of trust, dated as of August 1, 2014 (the “Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), to (a) prepay certain outstanding loan agreements entered into by the former Emeryville Redevelopment Agency (the “Former Agency Loans”) and to refund certain outstanding bonds issued by the Emeryville Public Financing Authority which bonds are secured by the Former Agency Loans, the proceeds of which were used to finance redevelopment and low and moderate income housing activities within and for the benefit of the Emeryville Redevelopment Project and the Shellmound Park Redevelopment Project (the “Redevelopment Projects”), (b) purchase a reserve account surety bond in lieu of cash funding a debt service reserve fund for the Bonds, and (c) provide for the costs of issuing the Bonds, including the premium for the municipal bond insurance policy.

The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. Principal of, premium if any, and semiannual interest on the Bonds due on March 1 and September 1 of each year, commencing March 1, 2015, will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds. See “THE BONDS.”

**The Bonds are subject to optional redemption and mandatory sinking account redemption prior to maturity.** See “THE BONDS—Redemption” herein.

The Bonds are payable from and secured by the Tax Revenues as defined in this Official Statement and moneys in certain funds and accounts established under the Indenture, as further described in this Official Statement. See “SECURITY FOR THE BONDS” herein.

In addition to the Bonds, the Successor Agency may issue or incur Parity Debt that is payable from Tax Revenues on a parity with the Bonds, but only for the purpose of refunding the Bonds and any future parity debt. See “THE BONDS—Parity Debt” herein.

**The Bonds and interest thereon are not a debt of the City of Emeryville (the “City”), Alameda County (the “County”), the State of California (the “State”) or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The Bonds and interest thereon are not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board (defined herein), the County Board of Supervisors nor any persons executing the Bonds are liable personally on the Bonds. The Successor Agency has no taxing power.**

The scheduled payment of principal of and interest on certain maturities (to be determined at the time of pricing) of the Bonds when due (the “Insured Bonds”) will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP.



### **MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS**

#### **SEE THE INSIDE COVER**

This cover page and the inside cover page hereof contain information for quick reference only. They are not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision with respect to the Bonds.

The Bonds are offered, when, as and if issued, subject to the approval of Quint & Thimmig LLP, Larkspur, California, Bond Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by Michael G. Biddle, Esq., the Emeryville City Attorney, acting as general counsel to the Successor Agency, and for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about August 21, 2014.

**Stifel**

**Morgan Stanley**

Dated: July \_\_, 2014

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**SUCCESSOR AGENCY TO THE  
EMERYVILLE REDEVELOPMENT AGENCY  
(Alameda County, California)**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS\***

**\$100,000,000\*  
Tax Allocation Refunding Bonds, Series 2014A**

\$ \_\_\_\_\_ Serial Bonds

CUSIP† Prefix: \_\_\_\_\_

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u> <u>Suffix</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u> <u>Suffix</u>
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\$ \_\_\_\_\_ % Term Bonds maturing September 1, \_\_\_\_\_, Price: \_\_\_\_\_ %, to yield \_\_\_\_\_ %—CUSIP† \_\_\_\_\_

**\$15,000,000\*  
Taxable Tax Allocation Refunding Bonds, Series 2014B**

\$ \_\_\_\_\_ Serial Bonds

CUSIP† Prefix: \_\_\_\_\_

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u> <u>Suffix</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u> <u>Suffix</u>
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\$ \_\_\_\_\_ % Term Bonds maturing September 1, \_\_\_\_\_, Price: \_\_\_\_\_ %, to yield \_\_\_\_\_ %—CUSIP† \_\_\_\_\_

\*Preliminary, subject to change.

† Copyright 2014, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services Bureau, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Successor Agency and are included solely for the convenience of the holders of the Bonds. The Successor Agency is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the Successor Agency with respect to the Bonds that has been deemed “final” by the Successor Agency as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

*No Offering May Be Made Except by this Official Statement.* No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Successor Agency.

*No Unlawful Offers or Solicitations.* This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

*Effective Date.* This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the Project Areas since the date of this Official Statement.

*Use of this Official Statement.* This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

*Preparation of this Official Statement.* The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

*Document References and Summaries.* All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

*Stabilization of and Changes to Offering Prices.* The Underwriters may over-allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriters may discontinue such market stabilization at any time. The Underwriters may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriters.

*Bonds are Exempt from Securities Laws Registration.* The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under section 3(a)(2) of the Securities Act of 1933 and section 3(a)(12) of the Securities Exchange Act of 1934.

*Estimates and Projections.* Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, section 21E of the United States Securities Exchange Act of 1934, as amended, and section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

*Municipal Bond Insurance.* Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by the AGM and presented under the heading “MUNICIPAL BOND INSURANCE” and “APPENDIX I--SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

*Website.* The City of Emeryville maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

**SUCCESSOR AGENCY TO THE  
EMERYVILLE REDEVELOPMENT AGENCY  
EMERYVILLE, CALIFORNIA**

**SUCCESSOR AGENCY**

Jac Asher, *Chair*  
Ruth Atkin, *Vice Mayor*  
Kurt Brinkman, *Board Member*  
Nora Davis, *Board Member*  
Jennifer West, *Board Member*

**SUCCESSOR AGENCY STAFF**

Sabrina Landreth, *Executive Director*  
Karen Hemphill, *Secretary*  
Michael G. Biddle, *Successor Agency Counsel*

**SPECIAL SERVICES**

**Financial Advisor**

Fieldman, Rolapp & Associates, Inc.  
Irvine, California

**Bond and Disclosure Counsel**

Quint & Thimmig LLP  
Larkspur, California

**Fiscal Consultant**

Keyser Marston Associates  
San Francisco, California

**Trustee**

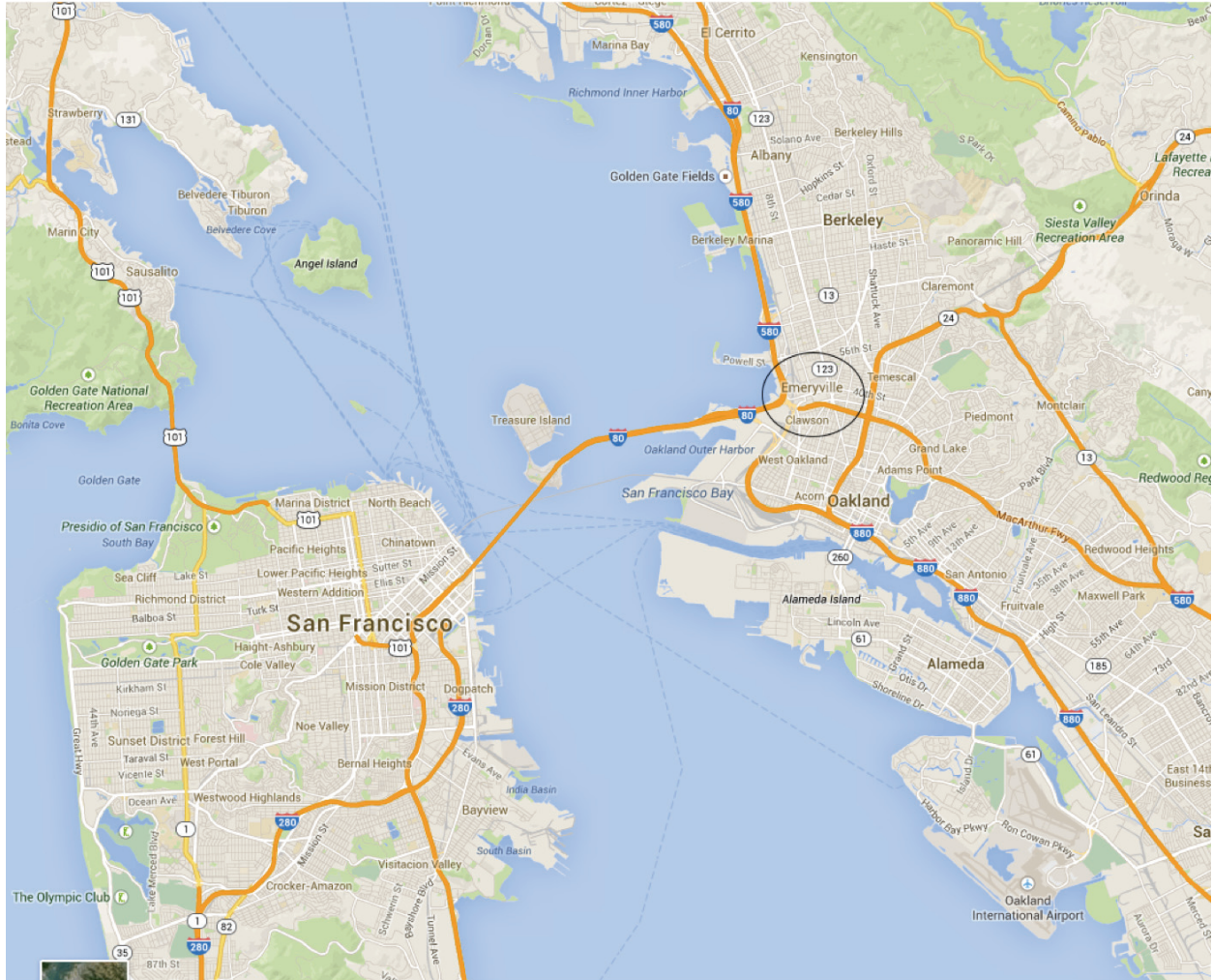
The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California

**Verification Agent**

Causey Demgen Moore P.C.  
Denver, Colorado



# CITY OF EMERYVILLE LOCATION MAP



## OFFICIAL STATEMENT

### SUCCESSOR AGENCY TO THE EMERYVILLE REDEVELOPMENT AGENCY (Alameda County, California)

**\$100,000,000\***  
**Tax Allocation Refunding Bonds,**  
**Series 2014A**

**\$15,000,000\***  
**Taxable Tax Allocation Refunding Bonds,**  
**Series 2014B**

### INTRODUCTION

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Emeryville Redevelopment Agency (the "Successor Agency") of its \$100,000,000\* Successor Agency to the Emeryville Redevelopment Agency (Alameda County, California) Tax Allocation Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), and its \$15,000,000\* Successor Agency to the Emeryville Redevelopment Agency (Alameda County, California) Taxable Tax Allocation Refunding Bonds, Series 2014B (the "Series 2014B Bonds" and, with the Series 2014A Bonds, the "Bonds").

#### Authority and Purpose

The Successor Agency is issuing the Bonds pursuant to authority granted by the Constitution of the State of California, section 34177.5(a)(1) of the Health & Safety Code of the State of California, Article 11 (commencing with section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law") and an Indenture of Trust, dated as of August 1, 2014 (the "Indenture") by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). See "THE BONDS—Authority for Issuance."

The Successor Agency is issuing the Bonds to prepay the following thirteen outstanding loans (collectively, the "Agency Loans") of the former Emeryville Redevelopment Agency (the "Former Agency"). The Agency Loans proceeds were used to finance or refinance redevelopment and low and moderate income housing activities in two separate redevelopment project areas, the Emeryville Redevelopment Project Area (the "Emeryville Project") and the Shellmound Park Redevelopment Project Area (the "Shellmound Park Project") (which are sometimes collectively referred to as the "Combined Project Areas" in this Official Statement) of the Former Agency.

- (i) Loan Agreement, dated as of September 1, 1995 (the "1995 Housing Loan Agreement"), by and between the Emeryville Public Financing Authority (the "Authority") and the Former Agency,
- (ii) Emeryville Redevelopment Project Loan Agreement, dated as of August 1, 1998, by and between the Authority and the Former Agency (the "1998B Emeryville Loan Agreement"),

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\* Preliminary, subject to change.

- (iii) Shellmound Park Redevelopment Project Loan Agreement, dated as of August 1, 1998, by and between the Authority and the Former Agency (the “1998B Shellmound Park Loan Agreement”),
- (iv) Housing Project Loan Agreement, dated as of August 1, 1998, by and between the Authority and the Former Agency (the “1998B Housing Loan Agreement”),
- (v) Emeryville Redevelopment Project Loan Agreement, dated as of August 1, 1998, by and between the Authority and the Former Agency (the “1998C Emeryville Loan Agreement”),
- (vi) Housing Project Loan Agreement, dated as of August 1, 1998, by and between the Authority and the Former Agency (the “1998C Housing Loan Agreement”),
- (vii) Emeryville Redevelopment Project Loan Agreement, dated as of July 1, 2001, by and between the Authority and the Former Agency (the “2001 Emeryville Loan Agreement”),
- (viii) Shellmound Park Redevelopment Project Loan Agreement, dated as of July 1, 2001, by and between the Authority and the Former Agency (the “2001 Shellmound Park Loan Agreement”),
- (ix) Housing Project Loan Agreement, dated as of July 1, 2001, by and between the Authority and the Former Agency (the “2001 Housing Loan Agreement”),
- (x) Emeryville Redevelopment Project Loan Agreement, dated as of December 1, 2002, by and between the Authority and the Former Agency (the “2002 Emeryville Loan Agreement”),
- (xi) Emeryville Redevelopment Project Loan Agreement, dated as of August 1, 2004, by and between the Authority and the Former Agency (the “2004 Emeryville Loan Agreement”),
- (xii) Shellmound Park Redevelopment Project Loan Agreement, dated as of August 1, 2004, by and between the Authority and the Former Agency (the “2004 Shellmound Park Loan Agreement”), and
- (xiii) Housing Project Loan Agreement, dated as of August 1, 2004, by and between the Authority and the Former Agency (the “2004 Housing Loan Agreement”).

The prepayment of the Agency Loans will result in the defeasance and refunding of the following seven series of bonds (the “Authority Bonds”), issued by the Authority to fund the Agency Loans:

- (i) Emeryville Public Financing Authority Revenue Bonds, Series 1995 (Housing Increment Loan), secured by the 1995 Housing Loan Agreement (the “1995 Authority Bonds”),
- (ii) Emeryville Public Financing Authority Revenue Bonds, 1998 Series B (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects—Tax-Exempt), secured by the 1998B Emeryville Loan Agreement, the 1998 Shellmound Park Loan Agreement and the 1998B Housing Loan Agreement (the “1998B Authority Bonds”),



- (iii) Emeryville Public Financing Authority Revenue Bonds, 1998 Series C (Emeryville Redevelopment and Housing Projects—Taxable), secured by the 1998C Emeryville Loan Agreement and the 1998C Housing Loan Agreement (the “1998C Authority Bonds”),
- (iv) Emeryville Public Financing Authority Revenue Bonds, 2001 Series A (Emeryville Redevelopment and Shellmound Park Redevelopment Projects—Tax-Exempt), secured by the 2001 Emeryville Loan Agreement and the 2001 Shellmound Park Loan Agreement (the “2001A Authority Bonds”),
- (v) Emeryville Public Financing Authority Revenue Bonds, 2001 Series B (Housing Projects—Taxable), secured by the 2001 Housing Loan Agreement (the “2001B Authority Bonds”),
- (vi) Emeryville Public Financing Authority Revenue Bonds, 2002 Series A (Emeryville Redevelopment Project), secured by the 2002 Emeryville Loan Agreement (the “2002 Authority Bonds”), and
- (vii) Emeryville Public Financing Authority Revenue Bonds, 2004 Series A (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects), secured by the 2004 Emeryville Loan Agreement, the 2004 Shellmound Park Loan Agreement and the 2004 Housing Loan Agreement (the “2004 Authority Bonds”).

The proceeds of the Series 2014A Bonds will be applied to the defeasance of the 1995 Authority Bonds, the 1998B Authority Bonds, the 2001A Authority Bonds, the 2002 Authority Bonds and the 2004 Authority Bonds. The proceeds of the Series 2014B Bonds will be applied to the defeasance of the 1998C Authority Bonds and the 2001B Authority Bonds.

A portion of the proceeds of the Bonds will also be used to purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Bonds, and to pay the costs of issuance of the Bonds, including the premium for the municipal bond insurance policy described below.

### **The City and the Successor Agency**

*City and County.* The City of Emeryville (the “City”), is located along the east shore of the San Francisco Bay in Alameda County (the “County”), bordered by the City of Berkeley to its north and the City of Oakland to the east and south. The City was incorporated in 1896, and operates as a general law city. The City has a Council-Manager form of government. Five council members, including a mayor, are elected at large. For certain information with respect to the City, see APPENDIX F—CITY OF EMERYVILLE SUPPLEMENTAL INFORMATION.

*Former Agency.* The Former Agency was a redevelopment agency with all of the powers vested in such organizations under the Community Redevelopment Law (which is referred to in this Official Statement as the “Redevelopment Law”). The City Council of the City was the governing board of the Former Agency. The City activated the Former Agency in 1975 under the Redevelopment Law.

*Dissolution Act.* On June 29, 2011, Assembly Bill No. 26 (“AB 1X 26”) was enacted together with a companion bill, Assembly Bill No. 27 (“AB 1X 27”). The provisions of AB 1X 26 provided for the dissolution of all redevelopment agencies statewide. The provisions of AB 1X 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the Cali-

California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (2011), challenging the constitutionality of AB 1X 26 and AB 1X 27. On December 19, 2011, in its decision in that lawsuit, the California Supreme Court largely upheld AB 1X 26, invalidated AB 1X 27, and held that AB 1X 26 may be severed from AB 1X 27 and enforced independently. As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

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

*Successor Agency.* Pursuant to section 34173 of the Dissolution Act, the City Council of the City made an election to serve as the Successor Agency to the Former Agency. However, subdivision (g) of section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity and legal entity from the City, that the two entities shall not merge and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

## **The Combined Project Areas**

Although this Official Statement includes separate information about the Emeryville Project and the Shellmound Park Project, because of their unique characteristics and their independent redevelopment plan limits, the Tax Revenues pledged as security for the Bonds consists of property tax revenues allocated to the Successor Agency from both the Emeryville Project and the Shellmound Park Project. Consequently, this Official Statement also shows aggregate information about the Combined Project Areas.

*Emeryville Project.* The Former Agency adopted a redevelopment plan (the “Emeryville Redevelopment Plan”) for the Emeryville Project in 1976. The Emeryville Project consists of approximately 503 acres or approximately 62% of the area of the City. The total assessed valuation of taxable property in the Emeryville Project in fiscal year 2013-14 is \$2,035,453,533, and the corresponding incremental assessed valuation is \$1,924,865,913. See “THE COMBINED PROJECT AREAS—The Emeryville Project” for a description of amendments of the Emeryville Redevelopment Plan and related limitations and for information on land use, assessed valuation and property ownership within the Emeryville Project.

*Shellmound Park Project.* The Former Agency adopted a redevelopment plan (the “Shellmound Park Redevelopment Plan”) for the Shellmound Park Project in 1987. The Shellmound Park Project consists of approximately 270 acres or approximately 33% of the area of the City. Although the Shellmound Park Project is almost fully developed, it is currently being redeveloped with changes of land use that are contributing to increased growth in property values. The total assessed valuation of taxable property in the Shellmound Park Project in fiscal year 2013-14 is estimated to be \$1,717,485,819, and the corresponding incremental assessed valuation is estimated to be \$1,529,690,179. See “THE COMBINED PROJECT AREAS—The Shellmound Park Project” for a description of amendments of the Shellmound Park Rede-

velopment Plan and related limitations and for information on land use, assessed valuation and property ownership within the Shellmound Park Project.

### **Tax Allocation Financing**

Prior to the enactment of AB 1X 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopted the redevelopment plan became the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies receiving property taxes thereafter received only that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property taxes produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

### **Authority to Issue Refunding Bonds**

The Dissolution Act authorizes each successor agency to issue refunding bonds secured by a pledge of, and lien on, and repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established and held by the County Auditor-Controller for the Successor Agency by the Dissolution Act (the “Redevelopment Property Tax Trust Fund”). Section 34177.5(a)(1) of the Dissolution Act authorizes the issuance of refunding bonds, to be secured by a pledge of moneys deposited from time to time in the applicable Redevelopment Property Tax Trust Fund to provide savings to the successor agency, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness does not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

### **Security for the Bonds**

The Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and are payable solely from and secured by Tax Revenues, moneys on deposit in the Debt Service Fund (including in the accounts and subaccounts therein), including but not limited to the Reserve Account. See “SECURITY FOR THE BONDS—Pledge Under the Indenture.”

The Dissolution Act requires the Alameda County Auditor-Controller (the “County Auditor-Controller”) to determine the amount of property taxes that would have been allocated to the Former Agency from the Combined Project Areas had the Former Agency not been dissolved pursuant to the operation of AB 1X 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds or other indebtedness authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same lien priority and legal effect as if the bonds or other indebtedness had been issued prior to effective date of AB 1X 26, in full con-

formity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedules. See “SECURITY FOR THE BONDS—Recognized Obligation Payment Schedules.”

The Dissolution Act further provides that bonds or other indebtedness authorized thereunder to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Bonds, are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

Property tax revenues will be allocated to the Successor Agency on a semi-annual basis based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to an oversight board established for the Successor Agency (the “Oversight Board”) and the California Department of Finance (the “DOF”). The County Auditor-Controller will distribute funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See “SECURITY FOR THE BONDS—Recognized Obligation Payment Schedules.”

In accordance with the Dissolution Act, the term “Tax Revenues” is defined under the Indenture to mean the moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of section 34183 of the Dissolution Act, less all Statutory Pass-Through Amounts, all amounts required to be paid to other taxing entities pursuant to the Pass-Through Agreement and all amounts required to be paid pursuant to section 33676 of the Law. If, and to the extent, that the provisions of section 34172 or paragraph (2) of subdivision (a) of section 34183 of the Dissolution Act are invalidated by a final judicial decision, then Tax Revenues shall include all tax revenues allocated to the payment of indebtedness of the Successor Agency pursuant to section 33670 of the Redevelopment Law, subordinate to pass-through obligations, or such other section as may be in effect at the time providing for the allocation of tax increment revenues to the Successor Agency in accordance with Article XVI, Section 16 of the California Constitution. *Tax Revenues include property tax revenues generated in the Combined Project Areas.*

See, however, “THE COMBINED PROJECT AREAS—The Emeryville Project—The Emeryville Redevelopment Plan;” as a result of a tax increment receipt time limit applicable to the Emeryville Project, Tax Revenues may include property tax revenues generated only in the Shellmound Park Project in the four years preceding the final maturity date of the Bonds.

Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described above. See “RISK FACTORS.”

### **Municipal Bond Insurance Policy**

The scheduled payment of the principal and interest on certain maturities (to be determined at the time of pricing) of the Bonds when due (the “Insured Bonds”) will be guaranteed under a municipal bond insurance policy (the “Municipal Bond Insurance Policy”) to be issued by Assured Guaranty Municipal Corp. (“AGM”) simultaneously with the issuance of the Insured Bonds. See “MUNICIPAL BOND INSURANCE.” In addition, AGM has made a commitment to issue a municipal bond insurance policy for the Reserve Account (the “Reserve Account Insurance Policy”) in an amount equal to the Re-

serve Requirement for the benefit of the Insured Bonds and the uninsured Bonds. See “SECURITY FOR THE BONDS—Reserve Account.”

### **Limited Obligation**

The Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from Tax Revenues and other funds. The Bonds, interest and premium, if any, are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency are liable thereon. The Bonds, interest thereon and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. No member, officer, agent, or employee of the Successor Agency, the Oversight Board, the County Board of Supervisors or any person executing the Bonds is liable personally on the Bonds by reason of their issuance.

### **Parity Debt**

The Indenture permits the issuance of Parity Debt under certain circumstances. See “THE BONDS—Parity Debt.”

### **Professionals Involved in the Offering**

Fieldman, Rolapp & Associates, Inc., Irvine, California, has served as financial advisor to the Successor Agency and has advised the Successor Agency with respect to the financial structure of the refinancing and as to other financial aspects of the transaction. *Payment of the fees and expenses of the financial advisor is contingent upon the sale and delivery of the Bonds.*

Keyser Marston Associates, San Francisco, California, has acted as fiscal consultant to the Successor Agency (the “Fiscal Consultant”) and advised the Successor Agency as to the taxable values and Tax Revenues projected to be available to pay debt service on the Bonds as referenced in this Official Statement. The report prepared by the Fiscal Consultant is referred to as the “Fiscal Consultant Report.” See APPENDIX G—FISCAL CONSULTANT’S REPORT.

The Bank of New York Mellon Trust Company, N.A., San Francisco, California, will act as Trustee with respect to the Bonds.

Causey Demgen Moore P.C., Denver, Colorado (the “Verification Agent”), will act as verification agent with respect to the Bonds.

All proceedings in connection with the issuance of the Bonds are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Bond Counsel to the Successor Agency. Quint & Thimmig LLP is also acting as Disclosure Counsel to the Successor Agency. Michael G. Biddle, Esq., the City Attorney, will render certain opinions on behalf of the Successor Agency as general counsel to the Successor Agency. Certain legal matters will be passed on for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, Underwriters’ Counsel and the Verification Agent is contingent upon the sale and delivery of the Bonds.*

## **Further Information**

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the Bonds, the Indenture, the Successor Agency, the Former Agency, the County and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement to the Redevelopment Law, the Dissolution Act, the Refunding Law, the Bonds, the Indenture, the Constitution and the laws of the State as well as the proceedings of the Former Agency, the Successor Agency, the County and the City are qualified in their entirety by reference to such documents and laws. References in this Official Statement to the Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture.

During the period of the offering of the Bonds, copies of the forms of all documents are available from the Secretary, Successor Agency of the Emeryville Redevelopment Agency, 1333 Park Avenue Emeryville, CA 94608-3517.

## **REFUNDING PLAN**

### **Refunding of the Authority Bonds**

Pursuant to separate escrow deposit and trust agreements (collectively, the “Escrow Agreements”), each by and among the Authority, the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”), the Successor Agency will deliver a portion of the proceeds of the Bonds, along with other available amounts, to the Escrow Bank for deposit in separate escrow funds established under the Escrow Agreements (the “Escrow Funds”), in amounts sufficient to redeem all outstanding Authority Bonds on August 25, 2014 (the 2004 Authority Bonds will be redeemed on September 1, 2014), at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to such date. The Escrow Bank will hold amounts deposited in the Escrow Funds in cash, uninvested.



## Identification of Authority Bonds to be Refunded

Issue	Outstanding Principal Amount
Emeryville Public Financing Authority Revenue Bonds, Series 1995 (Housing Increment Loan)	\$ 4,155,000
Emeryville Public Financing Authority Revenue Bonds, 1998 Series B (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects—Tax- Exempt)	34,105,000
Emeryville Public Financing Authority Revenue Bonds, 1998 Series C (Emeryville Redevelopment and Housing Projects—Taxable)	11,930,000
Emeryville Public Financing Authority Revenue Bonds, 2001 Series A (Emeryville Redevelopment and Shellmound Park Redevelopment Projects—Tax-Exempt)	15,210,000
Emeryville Public Financing Authority Revenue Bonds, 2001 Series B (Housing Projects—Taxable)	2,905,000
Emeryville Public Financing Authority Revenue Bonds, 2002 Series A (Emeryville Redevelopment Project)	10,385,000
Emeryville Public Financing Authority Revenue Bonds, 2004 Series A (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects)	58,615,000

Sufficiency of the deposits in the Escrow Funds will be verified by the Verification Agent. See “VERIFICATION OF MATHEMATICAL ACCURACY.” Assuming the accuracy of the Verification Agent’s computations, as a result of the deposit of the funds into the Escrow Funds and application of funds as provided in the Escrow Agreements, the Authority’s obligations with respect to the Authority Bonds, and therefore, the Successor Agency’s obligations with respect to the Agency Loans securing the Bonds, will be discharged.

*The amounts held and invested by the Escrow Bank in the Escrow Funds are pledged solely to the payment of amounts due and payable by the Successor Agency under the Agency Loans securing the Authority Bonds and the amounts due and payable by the Authority under the indentures under which the Authority Bonds were issued. The funds deposited in the Escrow Funds will not be available for the payment of debt service with respect to the Bonds.*

## Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

	<u>Series 2014A Bonds</u>	<u>Series 2014B Bonds</u>	<u>Total</u>
<b>Sources:</b>			
Principal Amount of Bonds			
Net Original Issue Premium			
Available Funds			
1995 Authority Bonds			
1998B Authority Bonds			
1998C Authority Bonds			
2001A Authority Bonds			
2001B Authority Bonds			
2002 Authority Bonds			
2004 Authority Bonds			
Total Sources			
<b>Uses:</b>			
Escrow Funds			
1995 Authority Bonds			
1998B Authority Bonds			
1998C Authority Bonds			
2001A Authority Bonds			
2001B Authority Bonds			
2002 Authority Bonds			
2004 Authority Bonds			
Costs of Issuance <sup>(1)</sup>			
Total Uses			

- (1) Costs of Issuance include the Underwriters' discount, the premiums for the Municipal Bond Insurance Policy and the Reserve Account Insurance Policy, fees and expenses for Bond Counsel, Disclosure Counsel, the Financial Advisor, the Fiscal Consultant, the Trustee, the City, the Successor Agency administrative staff, Successor Agency counsel, printing expenses, rating fees and other costs related to the issuance of the Bonds.

**Debt Service Schedule**

The following table shows the annual debt service schedule for the Bonds, assuming no optional redemption of the Bonds.

Bond Year Ending September 1	Series 2014A Bonds			Series 2014B Bonds			Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
<b>Total</b>							

**THE BONDS**

**Authority for Issuance**

The issuance of the Bonds and the Indenture were authorized by the Successor Agency pursuant to Resolution No. SA08-14, adopted on May 6, 2014 (the “Successor Agency Resolution”), and approved by the Oversight Board for the Successor Agency pursuant to Resolution No. OB05-14, adopted on May 13, 2014 (the “Oversight Board Resolution”).

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the DOF on May 15, 2014. On July 9, 2014, the DOF provided a letter to the Successor Agency stating that based on the DOF’s review and application of the law, the Oversight Board Resolution approving the Bonds is approved by the DOF.

Section 34177.5 of the Dissolution Act provides that when, as here, a successor agency issues re-funding bonds with the approval of the oversight board and the DOF, the oversight board may not unilaterally approve any amendments to or early termination of the bonds, and the scheduled payments on the bonds shall be listed in the Recognized Obligation Payment Schedule and are not subject to further review and approval by the DOF or the California State Controller.

## Description of the Bonds

The Bonds will be issued and delivered in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, as registered owner of all Bonds. The initially executed and delivered Bonds will be dated the date of delivery (the “**Closing Date**”) and mature on September 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the rates shown on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 in each year, commencing on March 1, 2015, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

One fully-registered certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX C—BOOK-ENTRY ONLY SYSTEM.

## Redemption

### *Optional Redemption.*

**Series 2014A Bonds.** The Series 2014A Bonds maturing on or before September 1, \_\_\_\_\_, are not subject to optional redemption prior to maturity. The Series 2014A Bonds maturing on or after September 1, \_\_\_\_\_, are subject to redemption, at the option of the Successor Agency on any date on or after September 1, \_\_\_\_\_, in whole or in part, by such maturities as are determined by the Successor Agency and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

**Series 2014B Bonds.** The Series 2014B Bonds maturing on or before September 1, \_\_\_\_\_, are not subject to optional redemption prior to maturity. The Series 2014B Bonds maturing on or after September 1, \_\_\_\_\_, are subject to redemption, at the option of the Successor Agency on any date on or after September 1, \_\_\_\_\_, in whole or in part, by such maturities as are determined by the Successor Agency and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

### *Mandatory Sinking Fund Redemption.*

**Series 2014A Bonds.** The Series 2014A Bonds maturing on September 1, \_\_\_\_\_ (the “Series 2014A Term Bonds”), are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on September 1, \_\_\_\_\_, and on each September 1 thereafter to and including September 1, \_\_\_\_\_ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to

the date fixed for redemption; *provided, however*, that if some but not all of the Series 2014A Term Bonds have been optionally redeemed, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Series 2014A Term Bonds so redeemed by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Successor Agency with the Trustee.

Redemption Date (September 1)	Principal Amount
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† Maturity.

**Series 2014B Bonds.** The Series 2014B Bonds maturing on September 1, \_\_\_\_ (the “Series 2014B Term Bonds”), are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on September 1, \_\_\_\_, and on each September 1 thereafter to and including September 1, \_\_\_\_ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the Series 2014B Term Bonds have been optionally redeemed, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Series 2014B Term Bonds so redeemed by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Successor Agency with the Trustee.

Redemption Date (September 1)	Principal Amount
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† Maturity.

*Notice of Redemption.* The Trustee on behalf of and at the expense of the Successor Agency will mail (by first class mail, postage prepaid) notice of any redemption at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and to the Information Services designated in a Written Request of the Successor Agency filed with the Trustee at the time the Successor Agency notifies the Trustee of its intention to redeem Bonds; but such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, will designate the CUSIP number of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding (or all Bonds of a maturity) are to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, 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 Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written notice to the Owners to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of the Indenture.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

*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 specified in such notice.

*Manner of Redemption.* Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof. All Bonds redeemed shall be canceled.

*Selection of Bonds for Redemption.* Whenever provision (other than with respect to the mandatory sinking fund redemption) is made in the Indenture for the redemption of Bonds and less than all Bonds then currently outstanding are called for redemption, the Trustee will select Bonds for redemption from Bonds then currently Outstanding and not previously called for redemption, at the written direction of the Successor Agency in such order of maturity as shall be designated by the Successor Agency, and in the absence of such direction, *pro rata* among maturities and by lot within a maturity. The Trustee will promptly notify the Successor Agency in writing of the Bonds so selected for redemption.

### **Parity Debt**

“Parity Debt” means any loan, bonds, notes, advances or indebtedness payable from Tax Revenues on a parity with the Bonds as authorized by the Indenture. The Indenture permits the issuance of Parity Debt to refund the Bonds. With respect to any such refunding, (i) annual debt service on such Parity Debt must be lower than annual debt service on the obligations being refunded during every year the obligations would otherwise be outstanding and (ii) the final maturity of any such Parity Debt must not exceed the final maturity of the obligations being refunded.

## **THE DISSOLUTION ACT**

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB 1X 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB 1X 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedule. See “SECURITY FOR THE BOND—Recognized Obligation Payment Schedules.”

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of section 33670 of the Redevelopment Law and section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of section 33670 of the Redevelopment Law and section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan for each of the Combined Project Area, taxes levied upon taxable property in the Combined Project Areas each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called “taxing agencies”) after the effective date of the ordinance approving the applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the applicable Redevelopment Plan that added territory to the Combined Project Areas, as applicable, are to be divided as follows:

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

(b) To the Former Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within limitations established by the applicable Redevelopment Plan, following the date of issuance of the Bonds, when collected will be paid into a special fund of the Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

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

In addition, pursuant to section 34187 of the Dissolution Act, funds associated with retired enforceable obligations are required to be reallocated to taxing agencies as regular property taxes and not deposited into the Redevelopment Property Tax Trust Fund for the Successor Agency at all (however, section 34187(a)(2) of the Dissolution Act provides for retention of funds by the Successor Agency to the extent needed for payment of enforceable obligations upon authorization by the DOF).

## Recognized Obligation Payment Schedules

*Submission of Recognized Obligation Payment Schedule.* Not less than 90 days prior to each January 2 and June 1, the Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the DOF for approval, a recognized obligation payment schedule (the "Recognized Obligation Payment Schedule") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

*Payment of Amounts Listed on the Recognized Obligation Payment Schedule.* As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency or the successor agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency or the successor agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund.

A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

*Sources of Payments for Enforceable Obligations.* Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

*Order of Priority of Distributions from Redevelopment Property Tax Trust Fund.* Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in section 34183 of the Dissolution Act:

- (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act, if any (as described above under "SECURITY FOR THE BONDS—Statutory Pass-Through Payments" and "—Pass-Through Agreement") and no later than each January 2 and June 1, amounts required for pass-through payments such entity would have re-

ceived under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

(ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

*Failure to Submit a Recognized Obligation Payment Schedule.* The Recognized Obligation Payment Schedule must be approved by the oversight board and must be submitted by a successor agency to the county administrative office, the county auditor-controller, the DOF, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the successor agency does not submit a Recognized Obligation Payment Schedule by the applicable deadline, the city or county that established the former redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, the successor agency's administrative cost allowance is reduced by 25% if the successor agency did not submit a Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for the subsequent six-month period. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see "RISK FACTORS—Recognized Obligation Payment Schedule."

## SECURITY FOR THE BONDS

The County Auditor-Controller will deposit property tax revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Health and Safety Code, including *inter alia* Health and Safety Code section 34183 and 34170.5(b). The Bonds are payable from and secured by the Tax Revenues to be derived from the Combined Project Areas consisting of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund.

### **Pledge Under the Indenture**

Except as described in "—Redevelopment Obligation Retirement Fund" below and as required to compensate or indemnify the Trustee, the Bonds and any Parity Debt are equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund or in the Special Fund (if applicable), and by a first and exclusive pledge and lien upon all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Sinking Account, and the Redemption Account) without preference or priority for

series, issue, number, dated date, sale date, date of execution or date of delivery. The Bonds are additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Reserve Account established by the Indenture. The Bonds are also equally secured by the pledge and lien created with respect to the Bonds by section 34177.5(g) of the Dissolution Act on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds.

In consideration of the acceptance of the Bonds by purchasers of the Bonds, the Indenture will be deemed to be and will constitute a contract between the Successor Agency and the Trustee for the benefit of the Owners from time to time of the Bonds, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

### **Tax Revenues**

“Tax Revenues” means the moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of section 34183 of the Dissolution Act, less all Statutory Pass-Through Amounts, all amounts required to be paid to other taxing entities pursuant to the Pass-Through Agreement and all amounts required to be paid pursuant to section 33676 of the Law. If, and to the extent, that the provisions of section 34172 or paragraph (2) of subdivision (a) of section 34183 of the Dissolution Act are invalidated by a final judicial decision, then Tax Revenues shall include all tax revenues allocated to the payment of indebtedness of the Successor Agency pursuant to section 33670 of the Redevelopment Law, subordinate to pass-through obligations, or such other section as may be in effect at the time providing for the allocation of tax increment revenues to the Successor Agency in accordance with Article XVI, Section 16 of the California Constitution.

Before it was amended by the Dissolution Act, the Redevelopment Law required the Former Agency to set aside not less than 20% of all tax increment generated in each of the Combined Project Areas into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as “Housing Set-Aside.”

The Dissolution Act eliminated the Housing Set-Aside requirement. The housing fund into which these set-aside amounts were formerly deposited has been eliminated and any unencumbered amounts remaining in that fund have been identified through a mandated due diligence review. The amounts found to be unencumbered through this due diligence review have been paid to the County and these funds have been allocated to the taxing entities within the Combined Project Areas.

Since a deduction for the Housing Set-Aside is no longer required, amounts that were previously required to be deposited in the housing fund are now included in Tax Revenues.

## Flow of Funds Under the Indenture

*General.* The Successor Agency previously established the Redevelopment Obligation Retirement Fund pursuant to section 34170.5(a) of the Dissolution Act and agrees to hold and maintain the Redevelopment Obligation Retirement Fund as long as any of the Bonds are Outstanding.

*Deposit in Redevelopment Obligation Retirement Fund; Transfer to Debt Service Fund.* The Indenture provides that the Successor Agency shall deposit all of the Tax Revenues received with respect to any Semiannual Period into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency. All Tax Revenues received by the Successor Agency in excess of the amount required to pay debt service on the Bonds and any Parity Debt, and except as may be provided to the contrary in any Parity Debt Instrument, shall be released from the pledge and lien under the Indenture and shall be applied in accordance with the Redevelopment Law, including but not limited to the payment of debt service on any Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

*Deposit of Amounts by Trustee.* There is established a trust fund to be known as the Debt Service Fund, which will be held by the Trustee under the Indenture in trust. Concurrently with transfers with respect to Parity Debt pursuant to Parity Debt Instruments, moneys in the Redevelopment Obligation Retirement Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority:

**Interest Account.** On or before the fourth Business Day preceding each Interest Payment Date, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds and any Parity Debt on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds and any Parity Debt. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and any Parity Debt as it becomes due and payable.

**Principal Account.** On or before the fourth Business Day preceding March 1 and September 1 in each year beginning August 1, 2014, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Bonds and any Parity Debt on the next March 1 or September 1, as applicable, or, if principal is due and payable only on September 1 of such year, then the Successor Agency will transfer to the Trustee on or before March 1 of such year 50% of the principal amount due on the following September 1 and shall transfer on or before September 1 of such year the remaining 50% of the principal amount due on September 1 of such year. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next March 1



or September 1, as applicable, on all of the Outstanding Bonds and any Parity Debt. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds and any Parity Debt as it becomes due and payable.

**Reserve Account.** In the event that the amount on deposit in the Reserve Account at any time because of a draw thereon becomes less than the Reserve Requirement, the Trustee will promptly notify the Successor Agency of such fact. Upon receipt of any such notice and as promptly as is permitted by the Redevelopment Law and the Dissolution Act, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account.

The amount on deposit in the Reserve Account will be maintained at the Reserve Requirement at all times prior to the payment of the Bonds in full. If there are insufficient Tax Revenues to maintain the Reserve Requirement, the Successor Agency is obligated under the Indenture to continue making transfers as Tax Revenues become available until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there is on deposit therein a sum at least equal to the Reserve Requirement. See “—Reserve Account” below.

**Redemption Account.** On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the optional redemption provisions of the Indenture, the Trustee will withdraw from the Debt Service Fund any amount transferred by the Successor Agency for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date. All moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to an optional redemption on the date set for such redemption. Interest due on Bonds to be redeemed on the date set for redemption will, if applicable, be paid from funds available therefor in the Interest Account.

## **Reserve Account**

*Initial Deposit into the Reserve Account.* On the date of issuance of the Bonds, in lieu of a cash deposit to the Reserve Account, AGM will issue the Reserve Account Insurance Policy, in an amount equal to the initial “Reserve Requirement” for the Bonds.

*Definition of Reserve Requirement.* The Indenture defines “Reserve Requirement” to mean the lesser of (i) 10% of the original principal amount of the Bonds; less original discount (if any) plus original issue premium (if any), on the Bonds; (ii) 125% of the average Annual Debt Service; or (iii) Maximum Annual Debt Service.

*Relationship to Parity Debt.* The Reserve Account shall be held by the Trustee in trust solely for the benefit of the Owners of the Bonds and shall not be available to secure Parity Debt.

*Use of Moneys in the Reserve Account.* All money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers pursuant to any Parity Debt Instrument and to the Interest Account, the Principal Account and the Sinking Account, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default under the Indenture or under any Parity Debt Instrument,

any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before two Business Days preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account or be applied pro rata in accordance with any applicable provision of a Parity Debt Instrument. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made from the Reserve Account or will be applied pro rata as required by any Parity Debt Instrument, as applicable.

### **Limited Obligation**

The Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency are liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the Board of Supervisors of the County shall be individually or personally liable for the payment of the principal of or interest or redemption premium (if any) on the Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

*Dissolution Act Covenant by the Successor Agency.* The Successor Agency covenants in the Indenture that it will comply with all of the requirements of the Redevelopment Law and the Dissolution Act.

Not fewer than 90 days prior to each January 2, commencing January 2, 2015, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the DOF and to the County Auditor-Controller which shall include the following and all of which shall be made with respect to the January payment, if sufficient: (i) all scheduled interest payments on all Outstanding Bonds of the Successor Agency that are due and payable during the next calendar year, (ii) all scheduled principal and mandatory sinking fund redemption payments on all Outstanding Bonds of the Successor Agency that are due and payable during the next calendar year, and (iii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture (including any amounts required due to a draw on the Reserve Account. If amounts are insufficient for the January submission, the Successor Agency will submit an Oversight Board-approved Recognized Obligation Payment Schedule to the DOF and to the County Auditor-Controller for such deficiency 90 days prior to June 1.

The Recognized Obligation Debt Service Schedule shall not be amended except by Supplemental Indenture entered into pursuant to the Indenture.

In addition, the Successor Agency shall place on the applicable Recognized Obligation Payment Schedule for approval by the Oversight Board and DOF, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the following half of the calendar year, as contemplated by paragraph (1)(A) of subdivision (d) of section 34171 of the Dissolution Act and any amount required to be deposited in the Reserve Account in order to maintain in the Reserve Account the amount of the Reserve Requirement.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds (see "RISK FACTORS").

*History of Submission of the Recognized Obligation Payment Schedules.* The Successor Agency has policies and procedures in place to ensure full and timely compliance with the above-described covenant. Under the direction of the Director of Finance, the Successor Agency has submitted its Recognized Obligation Payment Schedules, as described below. The Successor Agency is on schedule to submit its ROPS 14-15B on a timely basis by October 1, 2014.

	<b>Funding Period</b>	<b>Date ROPS Approved by Oversight Board</b>	<b>Date Approved ROPS Submitted to DOF</b>	<b>Deadline to Submit ROPS to DOF</b>	<b>ROPS Submitted On Time?</b>
ROPS I	Jan-Jun 2012	4/24/12	4/26/12	4/15/12	No
ROPS II	Jul-Dec 2012	4/24/12	4/26/12	4/27/12	Yes
ROPS III	Jan-Jun 2013	8/22/12	8/24/12	9/1/12	Yes
ROPS 2013-14A	Jul-Dec 2013	2/27/13	3/1/13	3/1/13	Yes
ROPS 2013-14B	Jan-Jun 2014	9/26/13	9/27/13	10/1/13	Yes
ROPS 2014-15A	Jul-Dec 2014	2/11/14	2/14/14	3/1/14	Yes

### **Pass-Through Agreements**

The Redevelopment Law authorized the Former Agency to enter into negotiated pass-through agreements with taxing agencies whose territory was located within the Shellmound Project to alleviate the financial burden or detriment caused by the Shellmound Project . There are currently no negotiated pass-through agreements affecting the Emeryville Project Area.

Under the Former Agency’s pass-through agreement with the County, the Successor Agency is obligated to pass through 32% of the Shellmound Park project tax revenues annually to the County through October 1, 2029 (which is prior to the final maturity date of the Bonds), and 43.708% of the Shellmound Park Project tax revenues thereafter. In addition, the Successor Agency is required to pass through an additional 3.68% of the Shellmound Park Project tax revenues to the Alameda County Flood Control and Water Conservation District.

The County’s current policy is to calculate the pass-through amounts described above after (rather than before) accounting for ERAF shifts, which results in effective pass-through percentages that are lower than the percentages specified in the pass-through agreement. Using this approach, the County has received 22.234% (rather than 32%) of the Shellmound Park Project tax revenue in the most recent fiscal years, and the Alameda County Flood Control and Water Conservation District has received 2.395% (rather than 3.68%), of the Shellmound Park Project tax revenues. Historical tax increment revenues set forth in this Official Statement (see “THE SHELLMOUND PARK PROJECT--Historical Tax Values and Tax Increment Revenues”) reflect the County’s method of calculation.

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 section 33676 of the Redevelopment Law. The Shellmound Park Project was adopted during the applicable time period. The annual payments represent that portion of property taxes that are, or otherwise would be, calculated annually pursuant to the Proposition 13 inflation allocation. In addition, based on the ruling in the lawsuit *Santa Ana Unified School District vs. Orange County Redevelopment Agency*, school and community college districts are entitled to the payments even if no election was made at the time of project area adoption. Consistent with this ruling, the County currently deducts payments on behalf of both Emery Unified School District and Peralta Community College District.

*Emeryville Project.* There are currently no negotiated pass-through agreements affecting the Emeryville Project Area.

In certain circumstances, sections 33607.5 and 33607.7 of the Redevelopment Law require redevelopment agencies and successor agencies to make statutory pass-through payments to taxing agencies whose territory is located within the Combined Project Areas, to alleviate the financial burden or detriment caused by the redevelopment project. As required by the Redevelopment Law as modified by the Dissolution Act, the County Auditor-Controller is responsible for administering all pass-through payment calculations and payments. The Combined Project Areas are subject to statutory pass-through obligations as a result of amendments to their redevelopment plans. See “THE COMBINED PROJECT AREAS—The Emeryville Project—Redevelopment Plan Limitations” and “THE COMBINED PROJECT AREAS—The Shellmound Park Project—Redevelopment Plan Limitations.”

For purposes of showing debt service coverage, the Fiscal Consultant has assumed that the all pass-through agreements are senior to the Successor Agency’s pledge of Tax Revenues to its obligation to make debt service payments on the Bonds.

## **MUNICIPAL BOND INSURANCE**

### **Municipal Bond Insurance Policy**

Concurrently with the issuance of the Bonds, AGM will issue the Municipal Bond Insurance Policy. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Municipal Bond Insurance Policy included as APPENDIX I to this Official Statement.

The Municipal Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market

price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

### *Capitalization of AGM*

At March 31, 2014, AGM's policyholders' surplus and contingency reserve were approximately \$3,621 million and its net unearned premium reserve was approximately \$1,869 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, of AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; after giving effect to certain intercompany eliminations; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at

AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, NY 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE—Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "Municipal Bond Insurer Information") shall be modified or superseded to the extent that any subsequently included Municipal Bond Insurer Information (either directly or through incorporation by reference) modifies or supersedes such previously included Municipal Bond Insurer Information. Any Municipal Bond Insurer Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### *Miscellaneous Matters*

AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured Bonds offered under this Official Statement and such purchases may constitute a significant proportion of the Bonds offered. AGM or such affiliate may hold such Insured Bonds or uninsured Bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured Bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

## **PROPERTY TAXATION IN CALIFORNIA**

### **Property Tax Collection Procedures**

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

Generally, ad valorem taxes are collected by a county (the "Taxing Authority") for the benefit of the various entities (e.g., cities, schools and special districts) that share in the ad valorem tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

*Collections.* Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal prop-



erty taxes: (i) initiating a civil action against the taxpayer, (ii) 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, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling 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 the property securing the taxes to the State for the amount of taxes which are delinquent.

*Penalty.* A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each 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. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

*Delinquencies.* The valuation of property is determined as of the January 1 lien date as equalized in August of 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 and become delinquent August 31.

*Supplemental Assessments.* California Revenue and Taxation Code section 75.70 provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. Since fiscal year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as the general property tax. The receipt of Supplemental Assessment revenues by taxing entities typically follows the change of ownership by a year or more. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund 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 supplemental assessments occur within the Combined Project Areas, tax increment may increase. Revenues resulting from Supplemental Assessments have not been included in the Fiscal Consultant's projections of tax increment available to pay debt service on the Bonds.

*County Property Tax Collection and Administrative Costs.* In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the costs of adminis-

tering the provisions of the Dissolution Act. For fiscal year 2012-13, the County charges were 0.95% of gross tax increment within the Combined Project Areas. Based on the collection charges for fiscal year 2012-13, the Fiscal Consultant projected the charge for fiscal year 2013-14 as a percentage of gross tax increment to remain at 1%. For purposes of the Fiscal Consultant's projections of tax increment available to pay debt service on the Bonds, the Fiscal Consultant assumed that the County will continue to charge the Successor Agency for property tax collection and administration and that such charge will increase proportionally with any increases in revenue.

### **Teeter Plan**

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Consequently, property tax revenues in the Combined Project Areas do not reflect actual collections because the County allocates property tax revenues to the Successor Agency as if 100% of the calculated property taxes were collected without adjustment for delinquencies, redemption payments or roll adjustments. The County could elect to terminate this policy and, in such event, the amount of the levy of property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of the secured taxes within the Combined Project Areas. Substantial delinquencies in the payment of property taxes could impair the timely receipt by the Successor Agency of Tax Revenues, although the Tax Revenues provide substantial debt service coverage on the Bonds. See "- Projected Available Net Tax Increment and Estimated Debt Service Coverage" below.

### **Unitary Property**

Assembly Bill ("AB") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, tax revenues derived from unitary property and assessed by the SBE are accumulated in a single Tax Rate Area for the County. The tax revenues are then to be allocated to each taxing entity county-wide as follows: (i) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (ii) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro rata county wide; and (iii) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

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

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area. Consequently, the base year values of project areas are reduced by the amount of utility value that existed originally in the base years. The Auditor Controller allocated a total of \$103,900 of unitary tax revenue to the Emeryville Redevelopment Project Area and a total of \$28,120 to the Shellmound Park Redevelopment Project Area for fiscal year 2012-13. The Fiscal Consultant estimates \$28,000 of unitary revenues will be allocated to the Successor Agency from the Shellmound Park Redevelopment Project Area in fiscal year 2013-14 and \$104,000 from the Emeryville Redevelopment Project Area. For purposes of the Fiscal Con-

sultant's Tax projection of tax increment available to pay debt service on the Bonds, the Fiscal Consultant assumed that the amount of unitary revenue allocated for fiscal year 2013-14 will continue to be allocated to the Combined Project Areas in the same amount for the life of the projection.

### **Article XIII A of the State Constitution**

Article XIII A limits the amount of ad valorem taxes on real property to 1% of "full cash value" of such property, as determined by the county assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." Furthermore, the "full cash value" of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

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

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

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

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

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

Each year the Board of Equalization announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. Through fiscal year 2010-11 there were six occasions when the inflation factor was less than 2%. Until fiscal year 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels; however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and this resulted in reductions to the adjusted base year value of parcels. The table below reflects the inflation adjustment factors for the current fiscal year, 10 prior fiscal years and the adjustment factor for fiscal year 2014-15.

Historical Inflation Adjustment Factors	
Fiscal Year	Inflation Adj. Factor
2004-05	1.867%
2005-06	2.000
2006-07	2.000
2007-08	2.000
2008-09	2.000
2009-10	2.000
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454

### **Appropriations Limitation—Article XIII B**

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by a redevelopment agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including section 33678 of the Redevelopment Law. The constitutionality of section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

### **Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Former Agency or the Successor Agency)

and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

### **Appeals of Assessed Values**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted.

See "THE COMBINED PROJECT AREAS—Assessment Appeals" for information regarding historical and pending appeals of assessed valuations by property owners in the Combined Project Areas.

### **Proposition 8**

Proposition 8, approved in 1978 (California Revenue and Taxation Code section 51(b)), 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 under this code section may be initiated by the County Assessor or requested by the property owner.

After such reductions in value are implemented, the Assessor is required to review the property's market value as of each subsequent lien date and adjust the value of real property to the lesser of its base year value as adjusted by the inflation factor pursuant to Article XIII A of the California 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 Proposition

8 to residential properties are normally initiated by the Assessor but may also be requested by the property owner. Reductions of value for commercial, industrial and other land use types under Proposition 8 are normally initiated by the property owner as an assessment appeal.

After a roll reduction is granted under this code 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. Such increases must be in accordance with the 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.

For a summary of the recent history of Proposition 8 reductions in the Combined Project Areas, see “THE COMBINED PROJECT AREAS—Assessed Appeals.”

### **Propositions 218 and 26**

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 State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution.

Tax Revenues securing the Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D 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 Successor Agency revenues or the Successor Agency’s ability to expend revenues.

## **THE SUCCESSOR AGENCY TO THE EMERYVILLE REDEVELOPMENT AGENCY**

As described in “INTRODUCTION,” the Dissolution Act dissolved the Former Agency as of February 1, 2012. Thereafter, pursuant to section 34173 of the Dissolution Act, the City became the Successor Agency to the Former Agency. Subdivision (g) of section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.



## **Successor Agency Powers**

All powers of the Successor Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Former Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Former Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review by the DOF.

## **Status of Compliance with Dissolution Act**

The Dissolution Act requires a due diligence review to determine the unobligated balances of each successor agency that are available for transfer to taxing entities. The due diligence review involves separate reviews of each successor agency's low and moderate income housing fund and of all other funds and accounts. Once a successor agency completes the due diligence review and any transfers to taxing entities, the DOF will issue a finding of completion that expands the authority of each successor agency in carrying out the wind down process. A finding of completion allows a successor agency to, among other things, retain real property assets of the dissolved redevelopment agency and utilize proceeds derived from bonds issued prior to January 1, 2011.

The Successor Agency has completed the due diligence process and received its Finding of Completion on August 29, 2013.

After receiving a finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to fill an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies within six months of receiving a finding of completion, and the DOF will review these plans as submitted on a rolling basis.

The Successor Agency submitted its Long Range Property Management Plan on February 12, 2014, and it is awaiting review by the DOF.

## **THE COMBINED PROJECT AREAS**

Although this Official Statement includes separate information about each of the two Project Areas because of their unique characteristics and their independent redevelopment plan limits, the Tax Revenues pledged as security for the Bonds consists of property tax revenues allocated to the Successor Agency from both Project Areas. Consequently, this Official Statement also shows aggregate information about the Combined Project Areas. In order to understand the nature of the Combined Project Areas, investors should be aware that, for fiscal year 2013-14, the assessed value of the Emeryville Redevelopment Project was approximately 54% of the aggregate assessed value of the two Combined Project Areas and approximately 56% of the aggregate incremental assessed value, and the assessed value of the Shellmound

Park Redevelopment Project was approximately 46% of the aggregate assessed value and 44% of the aggregate incremental assessed value.

## **Redevelopment Plans**

*Redevelopment Plan Limitations.* The Redevelopment Plans for each of the Combined Project Areas established certain limitations with respect to the collection of tax increment revenues and indebtedness. Since then, the Redevelopment Plans have been amended a number of times.

**Emeryville Project.** The City Council of the City approved and adopted the 1976 Emeryville Redevelopment Plan by Ordinance No. 76-04 effective as of July 27, 1976. Subsequently, the City Council also adopted Ordinance Nos. 84-04, 85-08 and 86-04 on June 19, 1984, June 4, 1985, and August 5, 1986, respectively. These measures had the effect of establishing and amending various development policies and standards applicable to the Emeryville Project. Each such ordinance has expired by its own terms. Pursuant to Ordinance No. 86-11 adopted on December 16, 1986, for the purpose of complying with Health & Safety Code section 33333.4, the City Council amended the redevelopment plan to impose limits on the amount of property taxes that may be allocated to the Agency in the Emeryville Project, a time limit on the incurrence of debt, and a time limit on the use of the power of eminent domain.

**Shellmound Park Project.** The Shellmound Park Redevelopment Plan established certain limitations with respect to the collection of tax increment revenues and indebtedness within the Shellmound Park Project. Since then, the Redevelopment Plan has been amended a number of times. The City Council of the City approved and adopted the Shellmound Redevelopment Plan by Ordinance No. 87-07 effective as of October 20, 1987.

**AB 1290.** In 1993, the California Legislature enacted 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. Pursuant to Ordinance No. 94-004, adopted by the City Council on March 15, 1994, which amended a portion of Ordinance No. 86-11, the Redevelopment Plan for the Emeryville Project was amended to contain tax increment limitations which are in compliance with AB 1290, as subsequently amended. Pursuant to Ordinance No. 94-005, adopted by the City Council on March 15, 1994, the Redevelopment Plan for the Shellmound Park Project contains tax increment limitations which are in compliance with AB 1290, as subsequently amended.

**Eminent Domain-Related Amendment.** The Emeryville Redevelopment Plan was amended again on December 15, 1998, when the City Council adopted Ordinance No. 98-012 to extend the Agency's authority to acquire property within the Emeryville Project using the power of eminent domain. The Shellmound Park Redevelopment Plan was amended on December 15, 1998, when the City Council adopted Ordinance No. 98-012 to extend the Agency's authority to acquire property within the Shellmound Park Project using the power of eminent domain.

**SB 211.** On May 20, 2003, pursuant to SB 211, the City Council adopted Ordinance No. 03-007, which amended the Emeryville Redevelopment Plan and adopted Ordinance No. 03-008, which amended the Shellmound Park Redevelopment Plan to eliminate the time limit for incurring debt, with the practical effect that the time limit on the Agency's ability to establish or incur debt to be repaid from tax increment allocated to the Agency pursuant to the redevelopment plan is the same date through which the redevelopment plan is effective. SB 211 also requires agencies that eliminate the time limit for incurring debt to

begin sharing tax increment revenues, pursuant to a formula established by state law, with other taxing entities beginning in the year following the original debt limitation (January 1, 2004), and to the extent that revenues are not already shared by a pre-existing tax sharing agreement. As a result, starting in fiscal year 2005-06, the Agency began sharing 25% of tax revenues generated in the Emeryville Project as a result of increases in the assessed valuation above the fiscal year 2004-05 assessed valuation.

**SB 1045.** Pursuant to SB 1045 in connection with the adoption of statutes requiring an ERAF shift for fiscal year 2003-04, the State Legislature authorized the Agency to amend its redevelopment plans to extend by one year the time limit of the effectiveness of the plan and the time limit to repay indebtedness and receive tax increment. The Agency extended the Emeryville Project time limit, as permitted by SB 1045, pursuant to Ordinance No. 04-006, and extended the Shellmound Park time limit, as permitted by SB 1045, pursuant to Ordinance No. 04-007, both adopted on June 15, 2004.

**SB 1096.** Pursuant to Senate Bill 1096 (“SB 1096”) in connection with the adoption of statutes requiring an ERAF shift for fiscal years 2004-05 and 2005-06, the State Legislature authorized amendments of redevelopment plans to extend by one year for each ERAF shift the time limit of the effectiveness of the plan and the time limit to repay indebtedness and receive tax increment. Pursuant to Ordinance No. 07-008, which was adopted by the City Council on May 15, 2007, the City Council amended the Emeryville Redevelopment Plan to extend the effectiveness of the redevelopment plan and to extend the time limit for repay indebtedness and receive tax increment funds. The Shellmound Project Area was not eligible for extension under SB 1096.

**AB 26.** Pursuant to Assembly Bill 26 (“AB 26”), the State Legislature authorized amendments of redevelopment plans in connection with the payment of Supplemental Educational Revenue Augmentation Fund (“SERAF”) shifts for fiscal years 2009-10 and 2010-11. Pursuant to Ordinance No. 11-002, adopted by the City Council on February 1, 2011, the City Council amended the Emeryville Redevelopment Plan to extend the time on the effectiveness of the redevelopment plan and the time to repay indebtedness and receive tax increment funds, in each case, by one year and pursuant to Ordinance No. 11-003, adopted by the City Council on February 1, 2011, the City Council amended the Shellmound Park Redevelopment Plan to extend the time on the effectiveness of the redevelopment plan and the time to repay indebtedness and receive tax increment funds, in each case, by one year.

As amended, the Redevelopment Plans for the Combined Project Areas includes the following limits:

TABLE 1  
COMBINED PROJECT AREAS  
Redevelopment Plan Limits

Limitation	Emeryville Project	Shellmound Park Project
Final Date to Collect Tax Increment and Repay Debt:	July 27, 2030	October 1, 2039
Limit on Tax Increment Revenues allocated to the Agency:	\$942,610,300	\$425,000,000 <i>plus</i> amounts paid by the Agency under reimbursement agreements with taxing agencies and private entities
Limit on Outstanding Bonded Indebtedness:	None	\$180,000,000

Based on tax increment receipt records of the Successor Agency, a total of \$319 million has been received through fiscal year 2012-13 toward the \$942.6 million cumulative revenue limit for the Emeryville Project. Based upon the growth assumptions incorporated into the projection, \$677 million or 72% of the \$942.6 million limit is projected to be collected through the FY 2029-30 tax increment receipt time limit for the Emeryville Project. The \$942.6 million tax increment revenue limit would be reached prior to the end of the last fiscal year the Successor Agency could receive tax increment to repay debt (fiscal year 2029-30) if assessed values in the Emeryville Project were to grow at a future annual rate of more than approximately 7% per year.

Based on tax increment receipt records of the Successor Agency, a total of \$151 million has been received through fiscal year 2012-13 toward the cumulative revenue limit for the Shellmound Park Project. The \$425 million limit for Shellmound Park is increased by amounts paid pursuant to tax sharing agreements of which at least \$32 million has been paid through fiscal year 2012-13 resulting in an adjusted limit of \$457 million. Based upon the growth assumptions incorporated into the projection, the tax increment cap for the Shellmound Park Project is projected to be reached prior to September 1, 2034, the final maturity of the Bonds, if assessed values in the Shellmound Project were to grow at a future annual rate of more than approximately 2.29% per year (at which point the tax increment limit, as adjusted for additional tax sharing payments in the future, is projected to total \$569 million).

See APPENDIX G—FISCAL CONSULTANT’S REPORT for a more detailed analysis of the cumulative tax increment limit.

The Indenture includes a provision intended to protect against the risk that tax increment would grow at a rate that would cause the Successor Agency to exceed the tax increment limit prior to final payment of debt service on the Bonds. More specifically, the Indenture obligates the Successor Agency as follows:

If and to the extent that the plan limits apply to the Successor Agency under the Redevelopment Law, the Successor Agency will annually review, no later than December 1 of each year, the total amount of remaining tax increment to be received by the Successor Agency under the Plan Limit (assuming all incremental revenue is allocated to the Successor Agency), as well as fu-

ture cumulative principal of and interest and premium (if any) on the outstanding Bonds and any Parity Debt, estimated future fees of the Trustee, any obligations of the Successor Agency that are senior to the Bonds or that are subordinate to the Bonds. If, based on such review, the allocation of tax increment to the Successor Agency in any of the next three succeeding Fiscal Years would cause an amount equal to 95% of the amount remaining under the Plan Limit to fall below the remaining cumulative principal of and interest and premium (if any) on the outstanding Bonds and any Parity Debt, estimated future fees of the Trustee and any obligations of the Successor Agency that are senior to the Bonds or that are subordinate to the Bonds, the Successor Agency will include in its Recognized Obligation Payment Schedule sufficient additional amounts to fund a defeasance escrow to be held by the Trustee and to be pledged solely to the payment of debt service on the Bonds, which escrow shall be invested in Defeasance Obligations and used for the payment of principal of, redemption premiums, if any, and interest on the Bonds to ensure that there are sufficient remaining tax increment revenues under the Plan Limit to pay the remaining debt service.

## Land Use

The Emeryville Project encompasses approximately 503 acres and comprises approximately 62% of the City. Interstate 80 divides the Emeryville Project into two portions: the eastern side of the highway is characterized as the older portion of the City, and the western side of the highway is composed of approximately 30 acres of more recently developed bay-fill property.

The Shellmound Park Project encompasses approximately 270 acres and comprises approximately 33% of the City. The Shellmound Park Project is almost fully developed. The Shellmound Park Project is being transformed through redevelopment as properties increase in value due to changes of use that produce greater assessed value. The Shellmound Park Project is generally characterized as a mixed use of commercial, light industrial and residential.

Designated land use in the Combined Project Areas for fiscal year 2013-14 is set forth in the following table.

TABLE 2  
COMBINED PROJECT AREAS  
Land Use  
Fiscal Year 2013-14

Designated Land Use	Emeryville Project			Shellmound Park Project			Successor Agency Total		
	No. of Parcels	Taxable Value	% of Total	No. of Parcels	Taxable Value	% of Total	No. of Parcels	Taxable Value	% of Total
Commercial	562	\$ 946,361,286	46.5%	70	\$ 930,258,600	54.2%	632	\$1,876,619,886	50.0%
Residential	2,342	804,584,614	39.5	544	417,685,368	24.3	2,886	1,222,269,982	32.6
Industrial	36	129,931,352	6.4	108	153,273,124	8.9	144	283,204,476	7.5
Other Secured	174	24,991,740	1.2	53	52,043,626	3.0	227	77,035,366	2.1
Unsecured	438	129,584,541	6.4	464	164,225,101	9.6	902	293,809,642	7.8
Total	3,552	\$2,035,453,533	100.0%	517	\$1,717,485,819	100.0%	4,069	\$3,752,939,352	100.0%

Source: Fiscal Consultant.

For further information about sub-categories of land uses, see APPENDIX G—FISCAL CONSULTANT’S REPORT.

## Tax Rate

The tax rates which are applied to taxable values consist of two components: the General Tax Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate which is levied to pay voter approved indebtedness. The basic levy tax rate may not exceed 1% (\$1.00 of \$100 taxable value) in accordance with Article XIII A of the California Constitution. Prior to dissolution, the Former Agency's tax rate included the basic one percent levy and two debt service override levies approved by voters prior to 1989 for East Bay Regional Park and the East Bay Municipal Utility District. Commencing with dissolution, the County Auditor-Controller ceased allocating override levies to the Successor Agency's Redevelopment Property Tax Trust Fund based on section 38183(a)(1) of the Dissolution Act. Accordingly, a one percent levy is applied in the projections.

## Historical Assessed Values

The following table sets forth the assessed value history of the Combined Project Areas.

TABLE 3  
COMBINED PROJECT AREAS  
Historical Assessed Values  
Fiscal Years 2005-06 through 2013-14

Fiscal Year	Emeryville Project		Shellmound Park Project		Total	
	Assessed Value	% Annual Change	Assessed Value	% Annual Change	Assessed Value	% Annual Change
2005-06	\$1,578,753,472		\$1,105,661,834		\$2,684,415,306	
2006-07	1,791,271,849	13.5%	1,215,786,157	10.0%	3,007,058,006	12.0%
2007-08	1,999,714,272	11.6%	1,417,660,797	16.6%	3,417,375,069	13.6%
2008-09	2,244,451,858	12.2%	1,546,537,601	9.1%	3,790,989,459	10.9%
2009-10	2,262,389,328	0.8%	1,572,020,269	1.6%	3,834,409,597	1.1%
2010-11	2,243,251,020	-0.8%	1,574,623,947	0.2%	3,817,874,967	-0.4%
2011-12	1,927,323,542	-14.1% (1)	1,615,405,649	2.6%	3,542,729,191	-7.2%
2012-13	1,924,761,263	-0.1%	1,700,057,011	5.2%	3,624,818,274	2.3%
2013-14	2,035,453,533	5.8%	1,717,485,819	1.0%	3,752,939,352	3.5%
2014-15 (2)	2,137,310,202	5.0%	1,778,851,812	3.6%	3,916,162,014	4.3%

Source: Fiscal Consultant

- (1) The single largest factor of this reduction was the deed in-lieu of foreclosure transfer of three of four towers in the Watergate offices to lender U.S. Bank and the subsequent sale to Emeryville Office LLC at a price approximately \$120 million below the property's fiscal year 2010-11 assessed value
- (2) The fiscal year 2014-15 assessed value data is based up preliminary information received from the County. The 2014-15 data is not reflected in the other tables in this Official Statement.



## Historical Taxable Values and Tax Increment Revenues

The following table sets forth historical taxable values and tax increment revenues for the Combined Project Areas.

TABLE 4  
COMBINED PROJECT AREAS  
Historical Taxable Values  
Fiscal Years 2009-10 through 2013-14

	2009-10	2010-11	2011-12	2012-13	2013-14
Total Assessed Value	\$3,834,409,597	\$3,817,874,967	\$3,542,729,191	\$3,624,818,274	\$3,752,939,352
Incremental Value	\$3,536,026,337	\$3,519,491,707	\$3,244,346,021	\$3,326,435,014	3,454,556,092
Total Annual Increment (1)	\$35,970,238	\$35,731,136	\$32,657,153	\$33,264,406	34,545,615
Gross RPTTF Collections (2)	\$36,785,995	\$37,697,819	\$33,025,516	\$33,269,852	35,377,230
Less: County Admin. Fees	(270,559)	(285,420)	(264,751)	(338,641)	(341,247)
Less: Pass-Throughs	(6,382,700)	(5,368,843)	(5,437,255)	(5,666,150)	(6,114,616)
Tax Revenues	<u>\$ 30,132,737</u>	<u>\$ 32,043,555</u>	<u>\$ 27,323,510</u>	<u>\$ 27,265,061</u>	<u>\$ 28,921,367</u>

Source: Fiscal Consultant.

- (1) Represents regular secured and unsecured taxes computed based upon the Incremental Value multiplied by the applicable tax rate in each year.
- (2) Includes regular secured, unsecured, unitary and supplemental and other taxes.

## Largest Taxpayers

The ten largest taxpayers in the Combined Project Areas according to the 2013-14 assessed valuations are shown below.

TABLE 5  
COMBINED PROJECT AREAS  
Ten Largest Property Taxpayers  
Fiscal Year 2013-14

	Property Owner	Project Area*	Property Use (1)	No. of Parcels (2)	2013-14 Assessed Value	% of Incremental Value (3)
1	Novartis Vaccines and Diagnostics (4)(9)	E/S	Office/Industrial	22	\$ 304,430,929	8.81%
2	Wareham Development (5)(9)	E/S	Office/Industrial	14	260,233,147	7.53
3	Pixar Animation Studios (6)(9)	S	Commercial	7	257,514,846	7.45
4	Madison Marquette (7)(9)	E/S	Shopping Center	14	215,284,660	6.23
5	Emeryville Office LLC	E	Office	4	142,015,120	4.11
6	BRE Properties (8)(9)	E	Residential/Office	5	111,480,364	3.23
7	STRS Ohio (the Courtyards)(9)	S	Residential	1	104,333,306	3.02
8	Hines REIT Watergate LP (9)	E	Office	2	97,044,474	2.81
9	Bay Center Investor LLC	E	Office	3	88,900,000	2.57
10	Windsor Metropolitan LP	S	Residential	1	82,836,491	2.40
Total				73	\$1,664,073,337	48.16%

Source: Fiscal Consultant.

\*Emeryville Project shown as “E”; Shellmound Park Project shown as “S”.

- (1) Based on land use codes in County Assessor database.
- (2) Number of secured parcels and / or unsecured assessments.
- (3) Based upon reported FY 2013-14 total assessed value of \$3,752,939,352 and incremental assessed value of \$3,454,556,092.
- (4) Includes Novartis Vaccines and Diagnostics, Inc., Chiron Corporation, and Cetus Corporation (under same ownership).
- (5) Includes the following Wareham Development entities: Emery Station Office II LLC, Emerystation Triangle LLC, Emerystation Triangle II LLC, Emery Station Joint Venture LLC, ES East LLC, Hollis R&D Associates, 1600 63rd Street LLC, Wareham Development Corporation, and Emerystation Associates LLC.
- (6) Includes Pixar and ERPM, Inc.
- (7) Includes the following Madison Marquette entities: Madison Manhattan Village LLC and Madison Bay Street LLC.
- (8) Includes BRE Properties, Inc. and BRE-FMCA LLC.
- (9) 2013-14 appeals filed.

See APPENDIX G—FISCAL CONSULTANT’S REPORT for the top ten property taxpayers in each of the Combined Project Areas.

The following taxpayers each represent 5% or more of the assessed value in the Combined Project Areas.

*Novartis Vaccines and Diagnostics.* Novartis International AG acquired Chiron Corporation, which had previously been headquartered in Emeryville, in 2006. Novartis is a multinational pharmaceutical company, headquartered in Basel, Switzerland. The parent company of Novartis, Novartis AG, is listed on the New York Stock Exchange under the ticker symbol “NVS.” Financial information about Novartis is included in documents filed with the Securities and Exchange Commission, particularly in its Annual Report on Form 20-F. Novartis’ Internet homepage is located at [www.novartisvaccines.com](http://www.novartisvaccines.com), although the reference to such website is provided for general informational purposes only, and the website is in no way

incorporated into this Official Statement. In late 2013, Novartis sold its transfusion diagnostics unit to Grifols for \$1.675 billion, which included approximately half of Novartis' real property holdings in Emeryville. The Successor Agency expect this to have a positive effect on assessed value in the Combined Project Areas. Grifols, based in Barcelona, Spain, is a global healthcare company and leading producer of plasma therapies. Non-voting class B shares of Grifols are listed on NASDAQ under the ticker symbol "GRFS". Grifols internet homepage is located at [www.grifols.com](http://www.grifols.com), although the reference to such website is provided for general informational purposes only, and the website is in no way incorporated into this Official Statement.

*Wareham Development.* San Rafael, California-based Wareham Development, developed, owns and manages a collection of several properties along the Hollis Street corridor for warehousing, retail, office, research and development, and biotechnology uses as part of its EmeryStation campus. Wareham Development recently completed construction of Emery Station Greenway, an approximately 139,000-square-foot laboratory building and has received planning approvals for Emery Station West, an approximately 341,300-square-foot building comprised of laboratory, office, public parking and transit center, and will likely commence construction in Spring 2015. Wareham Development's Internet homepage is [www.warehamproperties.com/index.html](http://www.warehamproperties.com/index.html), although reference to such website is provided for general informational purposes only, and the website is in no way incorporated into this Official Statement.

*Pixar Animation Studios.* Pixar Animation Studios is a producer of original films in the medium of computer animation. Pixar is listed on the NASDAQ Exchange under the ticker symbol "PIXR." Financial information about Pixar is included in documents filed with the Securities and Exchange Commission, particularly in its Annual Report on Form 10-K and its most recent quarterly report on Form 10-Q. Pixar Phase II, a new 155,000 square foot building used for film production, was completed in Spring 2011. Pixar's Internet homepage is located at [www.pixar.com](http://www.pixar.com), although the reference to such website is provided for general informational purposes only, and the website is in no way incorporated into this Official Statement.

*Madison Manhattan Village LLC.* Madison Manhattan Village LLC is an affiliate of Madison Marquette, the original developer and current operator of the mixed-use Bay Street lifestyle retail center. Based in Washington, D.C., Madison Marquette is an investor, developer and operator of retail and mixed-use projects throughout the United States. It has regional offices in New York, Philadelphia, Charlotte, San Francisco, Los Angeles, Seattle, San Diego and Fort Lauderdale. Madison Marquette manages 23 million square feet of retail real estate, including properties managed and leased on behalf of third-party owners. Madison Marquette sold an undeveloped parcel on the north end of Bay Street, which parcel is entitled for a 169 room hotel, to Ensemble Hotel Partners, LLC, on June 5, 2014, for approximately \$2.65 million. Ensemble Hotel Partners is expected to operate a Hyatt Place Hotel on the site and is anticipated to commence construction in Spring 2015. Madison Marquette's Internet homepage is [www.madisonmarquette.com](http://www.madisonmarquette.com), although reference to such website is provided for general informational purposes only, and the website is in no way incorporated into this Official Statement.

### **New Construction Activity**

New construction in the Combined Project Areas occurring after the January 1, 2013, lien date for the fiscal year 2013-14 assessment roll and projects anticipated to start construction near-term are summarized below based on regularly updated project status reports prepared by the City.

*Projects Currently Under Construction:*

- Marketplace Redevelopment Phase IA – 193 Apartments commenced construction January 2013. Project located at 64th and Christie in the Emeryville Project Area.
- Parkside Project – 168 apartment, 5 live-work, 3 flex space units and 10,000 square feet of retail commenced construction fall 2012. Project located at Powell and Hollis streets in the Emeryville Project Area.
- Ocean Avenue Townhomes - 5 new townhomes currently under construction located at 1276 Ocean Avenue in the Emeryville Project Area.

*Projects Expected to Commence Construction Near Term*

- The Intersection Mixed Use ("Maz") –105 apartment units and renovation of an existing 22,000 square feet commercial building. Building permit application submitted December 2013. Project located at 3800 San Pablo Avenue at Adeline in the Emeryville Project Area (except for approximately 25% of the project site that is in the City of Oakland).
- 39th and Adeline Project – 101 apartment units and 1,000 square feet of retail. Project located at 39th and Adeline in the Emeryville Project Area (except for approximately 25% of the project site that is in the City of Oakland)

In total there are 371 apartment units currently in construction and an additional 206 units for which a building permit application has been submitted for a total of 577 apartment units. Not included in the above summary are other significant development projects at earlier stages of the planning and entitlement process, smaller scale projects, and construction by non-profit and governmental agencies exempt from property taxes.

For purposes of showing projected debt service coverage, the Fiscal Consultant has not included any increase in incremental value as a result of pending new construction.

**Assessment Appeals**

Several of the major taxpayers in both Combined Project Areas have actively appealed their assessed values.

*Emeryville Project Resolved Appeals.* In fiscal years 2005-06 through 2013-14, property owners in the Emeryville Project filed 819 assessment appeals. Of these appeals, 686 have been resolved, as shown in the following table. Of the 686 resolved appeals, 491 were either withdrawn or denied. In the resolved appeals, property owners had requested an aggregate reduction in assessed value of \$3,580,000,000. Upon resolution, aggregate assessed value was reduced by \$743,000,000.

*Emeryville Pending Appeals.* There are currently 123 appeals pending in the Emeryville Project (excluding ten filings deemed to represent repeat filings for the same parcel and tax year or no net reduction in assessed value was requested). Based on the historical results of appeals filed in fiscal years 2005-06 through 2011-12, the Agency has assumed, for purposes of forecasting future Emeryville Tax Revenues, that the fiscal year 2013-14 assessed valuation in the Emeryville Project will be reduced by \$111,000,000.

*While the Agency believes this adjustment to be reasonable, there can be no assurance that actual successful appeals, if any, will not reduce assessed values by a greater amount.*

TABLE 6  
EMERYVILLE PROJECT  
Resolved Assessment Appeals  
Fiscal Years 2005-06 through 2013-14

Fiscal Year	Total Filings	Number of Filings			Assessed Value Reductions				
		Total Resolved	Denied or Withdrawn	Stipulated or Reduced	County Roll Value (\$millions)	Applicant Opinion (\$millions)	Resolved Value (\$millions)	Net Reduction (\$ millions)	% Reduction
2005-06	36	36	26	10	\$608	\$401	\$573	\$35	5.8%
2006-07	67	67	60	7	\$1,004	\$682	\$973	\$31	3.1%
2007-08	59	58	45	13	\$476	\$218	\$393	\$82	17.3%
2008-09	91	86	69	17	\$1,412	\$910	\$1,374	\$38	2.7%
2009-10	181	179	105	74	\$1,908	\$811	\$1,605	\$303	15.9%
2010-11	175	163	126	37	\$1,321	\$611	\$1,186	\$135	10.2%
2011-12	79	73	46	27	\$879	\$504	\$782	\$96	11.0%
2012-13	77	20	10	10	\$258	\$149	\$236	\$22	8.6%
2013-14	54	4	4	0	\$2	\$1	\$2	—	0.0%
<b>TOTAL</b>	<b>819</b>	<b>686</b>	<b>491</b>	<b>195</b>	<b>\$7,868</b>	<b>\$4,287</b>	<b>\$7,124</b>	<b>\$743</b>	

Source: Fiscal Consultant.

TABLE 7  
EMERYVILLE PROJECT  
Estimated Value Reductions from  
2013-14 Pending Appeals

Filings (1)	County Roll Value (\$millions)	Applicant Opinion (\$millions)	Projected Resolved Value (\$millions)	Projected Net Reduction (\$ millions)	% Reduction
43	\$761	\$343	\$650	\$111	14.6%

Source: Fiscal Consultant.

(1) Seven FY 2013-14 appeal filings are excluded for purposes of the estimated value reductions summarized in Table 7 because they are deemed to represent either repeat filings for the same parcel and tax year or no net reduction in assessed value was represented.

*Shellmound Park Project Resolved Appeals.* In fiscal years 2005-06 through 2013-14, property owners in the Shellmound Park Project filed 629 assessment appeals. Of these appeals, 493 have been resolved. Of the 493 resolved appeals, 394 were either withdrawn or denied. In the resolved appeals, property owners had requested an aggregate reduction in assessed value of \$2,054,000,000. Upon resolution, aggregate assessed value was reduced by \$268,000,000.

*Shellmound Park Project Pending Appeals.* There are currently 133 appeals pending in the Shellmound Park Project (excluding three filings deemed to represent repeat filings for the same parcel and tax year). Based on the historical results of appeals filed in fiscal years 2005-06 through 2011-12, the Agency has assumed, for purposes of forecasting future Tax Revenues, that the fiscal year 2013-14 assessed valuation in the Shellmound Park Project will be reduced by \$143,000,000. *While the Agency believes this adjust-*

ment to be reasonable, there can be no assurance that actual successful appeals, if any, will not reduce assessed values by a greater amount.

TABLE 8  
SHELLMOUND PARK PROJECT  
Resolved Assessment Appeals  
Fiscal Years 2005-06 through 2013-14

Fiscal Year	Total Filings	Number of Filings			Assessed Value Reductions				
		Total Resolved	Denied or Withdrawn	Stipulated or Reduced	County Roll Value (\$millions)	Applicant Opinion (\$millions)	Resolved Value (\$millions)	Net Reduction (\$ millions)	% Reduction
2005-06	21	21	12	9	\$300	\$238	\$275	\$25	8.4%
2006-07	52	52	44	8	\$640	\$368	\$633	\$6	1.0%
2007-08	47	47	42	5	\$555	\$333	\$549	\$6	1.0%
2008-09	125	125	110	15	\$415	\$270	\$388	\$27	6.4%
2009-10	157	154	124	30	\$1,182	\$606	\$1,065	\$117	9.9%
2010-11	57	53	39	14	\$1,062	\$529	\$989	\$72	6.8%
2011-12	56	37	21	16	\$517	\$271	\$502	\$15	2.8%
2012-13	71	4	2	2	\$1	\$1	\$1	\$0.1	9.1%
2013-14	43	0	0	0	—	—	—	—	N/A
<b>TOTAL</b>	<b>629</b>	<b>493</b>	<b>394</b>	<b>99</b>	<b>\$4,672</b>	<b>\$2,616</b>	<b>\$4,402</b>	<b>\$268</b>	

Source: Fiscal Consultant.

TABLE 9  
SHELLMOUND PARK PROJECT  
Estimated Value Reductions from  
2013-14 Pending Appeals

Filings	County Roll Value (\$millions)	Applicant Opinion (\$millions)	Projected Resolved Value (\$millions)	Projected Net Reduction (\$ millions)	% Reduction
43	\$894	\$463	\$751	\$143	16.0%

Source: Fiscal Consultant.

See APPENDIX G—FISCAL CONSULTANT’S REPORT for a more detailed analysis of the assessment appeals.



**PROJECTED AVAILABLE TAX REVENUES AND ESTIMATED  
DEBT SERVICE COVERAGE**

The table below shows available net tax increment from the two Combined Project Areas on a combined basis, assumes 0% growth beginning in fiscal year 2015-16 and includes projected debt service on the Bonds.

Tax Revenues presented in the projection represent the amount available for debt service computed as gross Redevelopment Property Tax Trust Fund Revenue less (1) the County's property tax collection costs and administrative expenses authorized under the Dissolution Act; and (2) pass through obligations. The projections are based on the 2014-15 fiscal year and incorporates the valuation assumptions made in the Fiscal Consultant's Report. No increase in assessed value has been reflected in the projections based on new development. Personal Property values are assumed to remain constant. The projections include an adjustment for pending appeals.

TABLE 10  
COMBINED PROJECT AREAS  
Projection of Tax Revenues for Debt Service and Debt Service Coverage

Year Ending (1)	Emeryville Project Tax Revenues (2)	Shellmound Park Tax Revenues (2)	Total Tax Revenues	Series A Debt Service (3)	Series B Debt Service (3)	Total Debt Service (3)	Debt Service Coverage (3)
2015	\$17,015,000	\$9,490,000	\$26,505,000	\$10,171,735	\$1,418,270	\$11,590,005	2.29x
2016	17,015,000	9,490,000	26,505,000	10,163,650	1,423,158	11,586,808	2.29x
2017	17,015,000	9,490,000	26,505,000	10,170,050	1,429,742	11,599,792	2.28x
2018	17,015,000	9,490,000	26,505,000	10,162,250	1,430,382	11,592,632	2.29x
2019	17,015,000	9,490,000	26,505,000	10,180,000	1,420,002	11,600,002	2.28x
2020	17,015,000	9,490,000	26,505,000	10,171,750	1,424,167	11,595,917	2.29x
2021	17,015,000	9,490,000	26,505,000	10,158,000	1,432,877	11,590,877	2.29x
2022	17,015,000	9,490,000	26,505,000	10,158,250	1,426,385	11,584,635	2.29x
2023	17,015,000	9,490,000	26,505,000	10,166,000	1,426,168	11,592,168	2.29x
2024	17,015,000	9,490,000	26,505,000	10,170,000	1,421,826	11,591,826	2.29x
2025	17,015,000	9,490,000	26,505,000	10,159,500	1,433,178	11,592,678	2.29x
2026	17,015,000	9,490,000	26,505,000	9,294,250	2,299,046	11,593,296	2.29x
2027	17,015,000	9,490,000	26,505,000	2,761,000	325,592	3,086,592	8.59x
2028	17,015,000	9,490,000	26,505,000	2,754,250	326,284	3,080,534	8.60x
2029	17,015,000	9,490,000	26,505,000	2,298,000	326,100	2,624,100	10.10x
2030	17,015,000	9,490,000	26,505,000	2,299,500	330,040	2,629,540	10.08x
2031	—	9,490,000	9,490,000	2,306,750	322,812	2,629,562	3.61x
2032	—	9,490,000	9,490,000	2,674,250	—	2,674,250	3.55x
2033	—	9,490,000	9,490,000	2,673,750	—	2,673,750	3.55x
2034	—	9,490,000	9,490,000	2,677,500	—	2,677,500	3.54x

- (1) Tax Revenues are presented for the fiscal year ending in the year; Bond debt service is presented for the calendar year as payable from that fiscal year Tax Revenues.  
(2) Tax Revenues derived from Table 8.0 of the Fiscal Consultant's Report.  
(3) Preliminary, subject to change.

## **RISK FACTORS**

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

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

### **Recognized Obligation Payment Schedule**

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Pursuant to section 34177 of the Dissolution Act, not less than 90-days prior to each January 2 and June 1, the Successor Agency shall submit to the Oversight Board and the DOF, a Recognized Obligation Payment Schedule. For each Semiannual Period, the Dissolution Act requires each successor agency to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Consequently, Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the county auditor-controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule to pay debt service on the Bonds and to pay other enforceable obligations. See "THE DISSOLUTION ACT—Recognized Obligation Payment Schedule." In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period and, if applicable, the following half of the calendar year, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period. See "THE DISSOLUTION ACT—Recognized Obligation Payment Schedule."

If a successor agency does not submit a Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the DOF does not provide a notice to the county auditor-controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities.

For a description of the covenants made by the Successor Agency in the Indenture relating to the obligation to submit Recognized Obligation Payment Schedules on a timely basis, and the Successor Agency's history of submissions of Recognized Obligation Payment Schedules, see "THE DISSOLUTION ACT—Recognized Obligation Payment Schedule."

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the successor agency to the oversight board, to the county administrative officer, the county auditor-controller, the DOF, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If a successor agency does not

submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

### **Time Limits on Receiving Tax Increment Revenues**

The final maturity date of the Bonds is September 1, 2034. However the right to receive tax increment revenue terminates with respect to the Emeryville Project on July 27, 2030. See "THE COMBINED PROJECT AREAS—The Emeryville Project—Redevelopment Plan Limitation—Plan Limits." Upon the termination date for the Emeryville Project, debt service on the Bonds will become payable solely from tax increment revenues allocated to the Shellmound Park Project. Applying information currently available, the Successor Agency has structured debt service so that the expected remaining Tax Revenues will be sufficient to pay the remaining debt service on the Bonds. However, the termination date will result in a smaller number of properties generating Tax Revenues as the termination date is reached for the Emeryville Project. Because the Bonds, are payable solely from Tax Revenues, the credit quality of the Bonds at any one time depends upon the credit quality of the remaining project area that generates Tax Revenues. In addition, unanticipated adverse events affecting the remaining properties subject to taxation could impair the Successor Agency's ability to pay, when due, the remaining debt service on the Bonds. See "THE COMBINED PROJECT AREAS—The Emeryville Project—Redevelopment Plan Limitation—Plan Limits."

### **Challenges to Dissolution Act**

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "Syncora") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are mono-line financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., California Health and Safety Code sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the Bonds.

### **Reduction in Taxable Value**

Tax Revenues allocated to the Redevelopment Property Trust Fund and thereby available to pay principal of and interest on the Bonds are determined by the amount of incremental taxable value in the Combined Project Areas and the current rate or rates at which property in the Combined Project Areas is taxed. The reduction of taxable values of property in the Combined Project Areas caused by economic factors beyond the Successor Agency's control, such as relocation out of the Combined Project Areas by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the tax increment available to pay debt service on the Bonds. Such reduction of tax increment available to pay debt service on the Bonds could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the Bonds; this risk could be increased by the significant concentration of property ownership in the Combined Project Areas. see "THE COMBINED PROJECT AREAS—Ten Largest Taxpayers."

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce tax increment available to pay debt service on the Bonds.

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

### **Risks to Real Estate Market**

The Successor Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Combined Project Areas. The general economy of the Combined Project Areas will

be subject to all of the risks generally associated with urban real estate markets. Real estate prices and 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 the Combined Project Areas could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a significant decline in the general economy of the Combined Project Areas, the owners of property within the Combined Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Tax Revenues by the Successor Agency from the Combined Project Areas. See “PROJECTED AVAILABLE NET TAX INCREMENT AND ESTIMATED DEBT SERVICE COVERAGE” for a description of the debt service coverage on the Bonds.

### **Concentration of Property Ownership**

Based on fiscal year 2013-14 locally assessed taxable valuations, the top 10 taxable property owners in the Combined Project Areas represent approximately 44.3% of the total fiscal year 2013-14 taxable value and 48.2% of the fiscal year 2013-14 incremental value. Some of these property owners have pending assessed value appeals with respect to their property in the Combined Project Areas. Although the bankruptcy, termination of operations or departure from one of the Combined Project Areas by one of the largest property owners from the Combined Project Areas could adversely impact the availability of Tax Revenues to pay debt service on the Bonds, the Successor Agency believes any such adverse impact is unlikely in light of the debt service coverage provided by fiscal year 2013-14 available tax increment. See “PROJECTED AVAILABLE NET TAX INCREMENT AND ESTIMATED DEBT SERVICE COVERAGE” for a description of the debt service coverage on the Bonds.

### **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%.

Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times; in fiscal year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. In fiscal year 2011-12, the inflationary value adjustment was 0.753%. For fiscal years 2012-13 and 2013-14, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A. The fiscal year 2014-15 inflationary value adjustment is 0.454%.

The Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Combined Project Areas, whether an increase or a reduction, will be realized in the future.

### **Development Risks**

The general economy of a redevelopment project area will be subject to all the risks generally associated with real estate development. Projected development within a redevelopment project area may be

subject to unexpected delays, disruptions and changes. Real estate development operations 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 operations within a redevelopment project area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in a redevelopment project area is delayed or halted, the economy of the redevelopment project area could be affected. If such events lead to a decline in assessed values they could cause a reduction in incremental property tax revenues.

The Successor Agency believes that a decline in development activity in the Combined Project Areas is unlikely to adversely impact its ability to pay debt service on the Bonds in light of the debt service coverage provided by fiscal year 2013-14 Tax Revenues. See “PROJECTED AVAILABLE NET TAX INCREMENT AND ESTIMATED DEBT SERVICE COVERAGE.”

### **Assessment Appeals**

Property taxable values may be reduced as a result of Proposition 8, which reduces the assessed value of property, or of a successful appeal of the taxable value 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. A reduction in taxable values within the respective project area and the refund of taxes which may arise out of successful appeals by property owners will affect the amount of Pledged Tax Revenues and, potentially, Revenues under the Indenture. The Successor Agency has in the past experienced reductions in its Tax Increment Revenues as a result of assessment appeals. The actual impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. For a discussion of historical assessment appeals in the Project Area and summary information regarding pending and resolved assessment appeals for the Successor Agency, see APPENDIX G—FISCAL CONSULTANT’S REPORT.

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

The Successor Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the tax increment available to pay debt service on the Bonds.

Although delinquencies in the payment of property taxes by the owners of land in the Combined Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency’s ability to make timely payments on the Bonds, the Successor Agency believes any such adverse impact is unlikely in light of the debt service coverage provided by fiscal year 2013-14 net tax increment. See “PROJECTED AVAILABLE NET TAX INCREMENT AND ESTIMATED DEBT SERVICE COVERAGE” for a description of the debt service coverage on the Bonds.

### **Bankruptcy and Foreclosure**

The payment of the property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. The



various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Although such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds, the Successor Agency believes any such adverse impact is unlikely in light of the debt service coverage provided by fiscal year 2013-14 net tax increment. See "Projected AVAILABLE NET TAX INCREMENT AND ESTIMATED DEBT SERVICE COVERAGE" for a description of the debt service coverage on the Bonds.

### **Estimated Revenues**

In estimating that net tax increment will be sufficient to pay debt service on the Bonds, the Successor Agency has made certain assumptions with regard to present and future assessed valuation in the Combined Project Areas, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the net tax increment available to pay debt service on the Bonds will be less than those projected and such reduced net tax increment may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds. See "PROJECTED AVAILABLE NET TAX INCREMENT AND ESTIMATED DEBT SERVICE COVERAGE."

### **Hazardous Substances**

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

### **Natural Disasters**

The value of the property in the Combined Project Areas in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Combined Project Areas could be diminished in the aftermath of such events. A substantial reduction of

the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes.

*Seismic.* The City is located in close proximity to several seismically active earthquake faults, including the two most prominent and active faults in the San Francisco Bay Area, the San Andreas and Hayward faults. Therefore, the entire City is subject to hazardous ground shaking in a major earthquake. The City has experienced earthquakes with a Richter magnitude of 6.0 or greater and with the epicenter being within the San Francisco Bay Area. Earthquake damage to structures can be caused by ground rupture, liquefaction, groundshaking, and possibly inundation from tsunami. The level of damage in the City resulting from an earthquake would depend upon the magnitude of the event, the epicenter distance from the City, the response of geologic materials, and the strength and construction quality of structures. During an earthquake, shaking of granular loose soil saturated with water can lead to liquefaction. Liquefaction is a transformation of soil from a solid to a liquefied state, resulting from the buildup of excess pore water pressure, especially during earthquake-induced cyclic loading. Soil susceptible to liquefaction includes loose to medium dense sand and gravel, low-plasticity silt and some low-plasticity clay deposits. The entire City lies within a liquefaction hazard zone and the western portion of the City (from the railroad tracks to the San Francisco Bay) is primarily landfill. Earthquake damage in the Combined Project Areas would adversely affect assessed valuation and therefore the ability of the Successor Agency to pay debt service on the Bonds.

*Flood.* The Federal Emergency Management Agency (“FEMA”) prepared new maps of the City’s flood risk potential in December 2007, which went into effect on August 3, 2009. The majority of the City is designated as Zone X (i.e., areas outside the 500-year flood zone). The shoreline and marina areas are designated as Zone V and lie within the 100-year flood zone; however, these areas do not contain urban uses or structures. Should widespread flooding occur, both Combined Project Areas would be at equal risk to damage due to the small size of the City and the general lack of variegated topography. Flooding in the City could also occur as a result of global climate change, storm-induced flooding, inundations from dam failure, and tsunamis as discussed below.

## **State Budget Issues**

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State’s budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State’s Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion for the fiscal year).

For 2013-14, the State budget implemented a number of changes, unrelated to redevelopment dissolution, to help the State work toward (on a multiyear basis) a \$1 billion reserve, such as extending certain medical fees and taxes and continuing the use of miscellaneous State highway account revenues to pay transportation bond debt service. The 2013-14 budget summary additionally describes Proposition 98 (schools) General Fund savings estimated at \$2.1 billion in 2012-13 and \$1.1 billion in 2013-14 as a result of

monies generated by redevelopment agency dissolution in those years, a portion of which are one-time savings generated from the distribution of unencumbered funds held by former redevelopment agencies. The Governor's Budget Summary for the Governor's proposed 2014-15 budget cautions that although cities, counties, special districts and schools are estimated to receive over \$7 billion in revenues between 2011-12 and 2014-15 that previously would have been allocated to redevelopment agencies, recent court decisions, if finalized and upheld, could put more than \$3 billion of these funds at risk. The Governor's proposed 2014-15 budget also proposes to allocate \$1.591 billion to the State's "Rainy Day Fund," which would constitute the State's first deposit into that fund since 2007, attributed in part to a capital gains "windfall" from State investments due to a strong stock market in 2013, as well as debt reduction strategies in the State's budgets adopted since Governor Brown took office in 2011. Nonetheless, there can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or the Tax Revenues.

The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2014-15 Budget Summary for the proposed budget, the current State budget, and other documents related to the State budget may be found at the website of the DOF, [www.dof.ca.gov](http://www.dof.ca.gov). A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

*None of the websites or web pages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Successor Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.*

## **Changes in the Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of tax increment available to pay debt service on the Bonds.

## **Loss of Tax-Exemption**

As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Successor Agency in violation of its covenants in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

### **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.

## **TAX MATTERS**

*Series 2014A Bonds.* Federal tax law contains a number of requirements and restrictions which apply to the Series 2014A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Successor Agency has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2014A 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 Series 2014A Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2014A Bonds.

Subject to the Successor Agency's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Series 2014A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Series 2014A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Successor Agency with respect to certain material facts within the Successor Agency's 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.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, 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 include certain tax exempt interest, including interest on the Series 2014A Bonds.

Ownership of the Series 2014A 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 Series 2014A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the “Issue Price”) for the Series 2014A Bonds is the price at which a substantial amount of the Series 2014A Bonds is first sold to the public. The Issue Price of the Series 2014A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Series 2014A Bonds who dispose of Series 2014A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2014A Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2014A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2014A Bond is purchased at any time for a price that is less than the Series 2014A Bond’s stated redemption price at maturity, the purchaser will be treated as having purchased a Series 2014A 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 Series 2014A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2014A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2014A Bonds.

An investor may purchase a Series 2014A 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 Series 2014A 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 Series 2014A Bonds. Investors who purchase a Series 2014A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2014A Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2014A Bonds.

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 Series 2014A 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 Series 2014A 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 includible 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 Series 2014A Bonds. If an audit is commenced, under current procedures the Service may treat the Successor Agency as a taxpayer and the Series 2014A

Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2014A 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 Series 2014A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2014A 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 Series 2014A 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 Series 2014A Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Series 2014A Bonds may result in other state and local tax consequences to certain taxpayers. Series 2014A Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2014A Bonds. Prospective purchasers of the Series 2014A 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 the issuance of the Series 2014A Bonds is set forth in APPENDIX B—FORMS OF OPINIONS OF BOND COUNSEL—Series 2014A Bonds.

*Series 2014B Bonds.* Interest on the Series 2014B Bonds is includible in gross income for federal income purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Series 2014B Bondholders should consult their tax advisors with respect to the inclusion of interest on the Series 2014B Bonds in gross income for federal income tax purposes and any collateral tax consequences.

In the opinion of Bond Counsel, interest on the Series 201B Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Series 2014B Bonds may result in other state and local tax consequences to certain taxpayers. Series 2014B Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2014B Bonds. Prospective purchasers of the Series 2014B 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 the issuance of the Series 2014B Bonds is set forth in APPENDIX B—FORMS OF OPINIONS OF BOND COUNSEL—Series 2014B Bonds.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore P.C. (the “Verification Agent”), will examine the arithmetical accuracy of certain computations included in the schedules provided by the Successor Agency relating to the



refunding of the Authority Bonds. See “REFUNDING PLAN.” The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## UNDERWRITING

*Series 2014A Bonds.* The Series 2014A Bonds are being purchased by Stifel Nicolaus & Company, Inc. and Morgan Stanley & Co. LLC (the “Underwriters”). The Underwriters have agreed to purchase the Series 2014A Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the Series 2014A Bonds, plus a net original issue premium of \$\_\_\_\_\_ and less an Underwriters’ discount of \$\_\_\_\_\_). The Underwriters will purchase all of the Series 2014A Bonds if any are purchased.

The Underwriters may offer and sell Series 2014A Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

*Series 2014B Bonds.* The Series 2014B Bonds are being purchased by the Underwriters. The Underwriters have agreed to purchase the Series 2014B Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the Series 2014B Bonds, plus a net original issue premium of \$\_\_\_\_\_ and less an Underwriters’ discount of \$\_\_\_\_\_). The Underwriters will purchase all of the Series 2014B Bonds if any are purchased.

The Underwriters may offer and sell Series 2014B Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

## LEGAL OPINIONS

The final approving opinions of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, will be furnished to the purchaser at the time of delivery of the Bonds. Copies of the proposed forms of Bond Counsel’s final approving opinions with respect to the Bonds are attached hereto in APPENDIX B—FORMS OF OPINIONS OF BOND COUNSEL. In addition, certain legal matters will be passed on by Quint & Thimmig LLP, as Disclosure Counsel, and by Jones Hall, A Professional Law Corporation, as Underwriters’ Counsel. Certain legal matters will be passed on for the Successor Agency by the City Attorney, as Counsel for the Successor Agency.

*Compensation paid to Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent upon the sale and delivery of the Bonds.*

## **LITIGATION**

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing. See, however, "RISK FACTORS—Challenges to Dissolution Act."

## **RATINGS**

S&P is expected to assign the rating of "AA" (stable outlook) to the Insured Bonds based on the issuance of the Municipal Bond Insurance Policy by AGM at the time of delivery of the Bonds. See "MUNICIPAL BOND INSURANCE." In addition, S&P has assigned the underlying rating of "A+" (stable outlook) to the Bonds without regard to the issuance of the Municipal Bond Insurance Policy. These ratings reflect 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 ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of the 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 Successor Agency will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than March 31 after the end of each fiscal year of the Successor Agency (currently June 30), commencing not later than March 31, 2015 with the report for the 2013-14 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "Rule").

The City and its related entities, including the Former Agency, previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City and the Redevelopment Agency have, in some instances, failed to comply in all material respects with their undertakings. See APPENDIX H—CONTINUING DISCLOSURE COMPLIANCE HISTORY for a detail of such instances.

The City and the Successor Agency have made remedial filings where appropriate and will establish procedures to ensure compliance with their continuing disclosure undertakings in the future.

## AUDITED FINANCIAL STATEMENTS

Excerpts from the City’s Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013 (the “City CAFR”) is attached as APPENDIX E—EXCERPTS FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF EMERYVILLE FOR THE FISCAL YEAR ENDED JUNE 30, 2013. The City CAFR includes the Successor Agency’s audited financial statements for the fiscal year ended June 30, 2013. The Successor Agency’s audited financial statements were audited by Lance, Soll & Lunghard, LLP (the “Auditor”). The Auditor has not been asked to consent to the inclusion of the Successor Agency’s audited financial statements in this Official Statement and has not reviewed this Official Statement.

As described in “SECURITY FOR THE BONDS—Limited Obligation,” the Bonds are payable from and secured by a pledge of Tax Revenues and the Bonds are not a debt of the City. Excerpts from the City CAFR are attached as Appendix E to this Official Statement only because it includes the Successor Agency’s audited financial statements.

## MISCELLANEOUS

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

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

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

SUCCESSOR AGENCY TO THE  
EMERYVILLE REDEVELOPMENT  
AGENCY

By \_\_\_\_\_  
Sabrina Landreth  
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, dated as of August 1, 2014, between the Successor Agency and the Trustee (the "Indenture"), which are not described elsewhere in this Official Statement. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.*

#### Definitions

The following are definitions of certain terms used in this Official Statement. Other capitalized terms used in the Indenture are defined in the Indenture.

"AGM" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assigns thereof.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and any Parity Debt in such Bond Year, assuming that the Outstanding Bonds and Parity Debt are retired as scheduled, and (b) the principal or sinking fund amount of the Outstanding Bonds and Parity Debt payable by their terms in such Bond Year.

"Bonds" means, collectively, the Series A Bonds and the Series B Bonds, and, when the context requires, any Parity Debt.

"Bond Year" means any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on August 1, 2014.

"Business Day" means a day of the year, other than a Saturday or Sunday, on which banks in Los Angeles and San Francisco, California, are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

"City" means City of Emeryville, California.

"Closing Date" means the date on which the Bonds are delivered by the Successor Agency to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed by the Successor Agency 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 Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, operating expenses, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, fiscal consultants, accounting firms, consultants and other professionals, fees and

charges for preparation, execution and safekeeping of the Bonds, the premiums for the Municipal Bond Insurance Policy and the Reserve Account Insurance Policy and any other cost, charge or fee in connection with the original issuance of the Bonds.

“*Costs of Issuance Fund*” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“*County*” means Alameda County.

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

“*Defeasance Obligations*” means (a) cash, (b) non callable direct obligations of the United States of America (“Treasuries”), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (d) subject to the prior written consent of AGM, pre refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (e) subject to the prior written consent of AGM, securities eligible for “AAA” defeasance under then existing criteria of S&P.

“*Dissolution Act*” means Parts 1.8 (commencing with section 34161) and 1.85 (commencing with section 34170) of Division 24 of the California Health and Safety Code, as amended.

“*Emeryville Plan Limitations*” means the limitations contained or incorporated in the Emeryville Redevelopment Plan on (a) the aggregate principal amount of indebtedness which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Successor Agency pursuant to the Emeryville Redevelopment Plan, and (c) the period of time for establishing or repaying indebtedness.

“*Emeryville Redevelopment Plan*” means the Redevelopment Plan for the Emeryville Redevelopment Project, approved by Ordinance No. 76-04, enacted by the City Council of the City on July 27, 1976, as amended by Ordinance No. 84-04, enacted by the City Council of the City on June 19, 1984, as amended by Ordinance No. 85-05, enacted by the City Council of the City on June 4, 1985, as amended by Ordinance No. 86-04, enacted by the City Council of the City on August 5, 1986, as amended by Ordinance No. 86-11, enacted by the City Council of the City on December 16, 1986, as amended by Ordinance No. 94-004, enacted by the City Council of the City on March 15, 1994, as amended by Ordinance No. 98-012, enacted by the City Council of the City on December 15, 1998, as amended by Ordinance No. 03-007, enacted by the City Council of the City on May 20, 2003, as amended by Ordinance No. 04-006, enacted by the City Council of the City on June 14, 2004, as amended by Ordinance No. 07-008, enacted by the City Council of the City on May 15, 2007, and as amended by Ordinance No. 11-002, enacted by the City Council of the City on February 1, 2011, together with any amendments thereof at any time duly authorized pursuant to the Law.

“*Emeryville Redevelopment Project*” “means the area of the undertaking pursuant to the Emeryville Redevelopment Plan, together with any amendments of such redevelopment plan at any time duly authorized pursuant to the Law.

“*Escrow Agreements*” means, collectively, the 1995 Escrow Agreement, the 1998B Escrow Agreement, the 1998C Escrow Agreement, the 2001A Escrow Agreement, the 2001B Escrow Agreement, the 2002 Escrow Agreement and the 2004 Escrow Agreement.

“*Escrow Bank*” means The Bank of New York Mellon Trust Company, N.A., as escrow bank under the Escrow Agreements, or any successor thereto appointed as escrow bank thereunder.



“*Event of Default*” means any of the events described in the Indenture.

“*Excess Bond Proceeds*” has the meaning of “excess bond proceeds “ as used in and for the purposes of section 34191.4(c)(2) of the Dissolution Act.

“*Excess Bond Proceeds Fund*” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve month period selected and designated by the Successor Agency to the Trustee in writing as its official fiscal year period.

“*Former Agency*” means the former Emeryville Redevelopment Agency.

“*Indenture*” means the Indenture of Trust, dated as of August 1, 2014, by and between the Successor Agency and the Trustee, as originally entered into or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

“*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 the Successor Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Successor Agency; (b) does not have any substantial interest, direct or indirect, with the Successor Agency; and (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“*Independent Financial Consultant*” means any financial consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Successor Agency; (b) does not have any substantial interest, direct or indirect, with the Successor Agency, other than as original purchaser of the Bonds or any Parity Debt; and (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“*Independent Redevelopment Consultant*” means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom: (a) is judged by the Successor Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Successor Agency; (c) does not have any substantial interest, direct or indirect, with the Successor Agency; and (d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor 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>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information with respect to called bonds as the Successor Agency may designate in a Written Certificate of the Successor Agency delivered to the Trustee.

“*Insured Bonds*” means the Series A Bonds maturing on September 1, \_\_\_\_, September 1, \_\_\_\_ and September 1, \_\_\_\_, and the Series B Bonds maturing on September 1, \_\_\_\_, September 1, \_\_\_\_ and September 1, \_\_\_\_.

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

“*Interest Payment Date*” means March 1 and September 1 in each year, commencing March 1, 2015, so long as any of the Bonds remain Outstanding under the Indenture.

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

“*Maximum Annual Debt Service*” means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year following the anticipated issuance of Bonds and Parity Debt.

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

“*Municipal Bond Insurance Policy*” means the insurance policy issued by AGM that guarantees the scheduled payment of principal of and interest on the Insured Bonds when due.

“*1995 Authority Bonds*” means the Emeryville Public Financing Authority Revenue Bonds, Series 1995 (Housing Increment Loan), originally issued in the principal amount of \$14,300,000 to finance low and moderate income housing activities within and for the benefit of the Redevelopment Projects, of which \$4,155,000 principal amount remains outstanding.

“*1995 Escrow Agreement*” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and among the Authority, the Successor Agency and the Escrow Bank, pursuant to which provision will be made for the redemption of the 1995 Authority Bonds in full on August 25, 2014, at the price of 100% of the principal amount thereof, plus accrued interest.

“*1995 Escrow Fund*” means the Escrow Fund held by the Escrow Bank under and pursuant to the 1995 Escrow Agreement.

“*1998B Authority Bonds*” means the Emeryville Public Financing Authority Revenue Bonds, 1998 Series B (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects—Tax Exempt), originally issued in the principal amount of \$50,640,000 to finance redevelopment and low and moderate income housing activities within and for the benefit of the Redevelopment Projects, of which \$34,105,000 principal amount remains outstanding.

“*1998B Escrow Agreement*” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and among the Authority, the Successor Agency and the Escrow Bank, pursuant to which provision will be made for the redemption of the 1998B Authority Bonds in full on August 25, 2014, at the price of 100% of the principal amount thereof, plus accrued interest.

“*1998B Escrow Fund*” means the Escrow Fund held by the Escrow Bank under and pursuant to the 1998B Escrow Agreement.

“*1998C Authority Bonds*” means the Emeryville Public Financing Authority Revenue Bonds, 1998 Series C (Emeryville Redevelopment and Housing Projects—Taxable), originally issued in the principal amount of \$17,905,000 to finance redevelopment and low and moderate income housing activities within and for the benefit of the Redevelopment Projects, of which \$11,930,000 principal amount remains outstanding.

“*1998C Escrow Agreement*” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and among the Authority, the Successor Agency and the Escrow Bank, pursuant to which provision will be made for the redemption of the 1998C Authority Bonds in full on August 25, 2014, at the price of 100% of the principal amount thereof, plus accrued interest.

“*1998C Escrow Fund*” means the Escrow Fund held by the Escrow Bank under and pursuant to the 1998C Escrow Agreement.

“*Original Purchaser*” means Stifel Nicolaus & Company, Incorporated and Morgan Stanley & Co., LLC, the original purchasers of the Bonds upon their delivery by the Trustee on the Closing Date.

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

“*Oversight Board*” means the oversight board to the Successor Agency duly constituted from time to time pursuant to section 34179 of the Dissolution Act.

“*Owner*” or “*Bondowner*” or “*Bond Owner*,” when used with respect to the Bonds, means the person in whose name the ownership of the Bonds shall be registered on the Bond Registration Books.

“*Parity Debt*” means any loans, advances or indebtedness issued or incurred by the Successor Agency on a parity with the Bonds pursuant to the Indenture. For all purposes of the Indenture, the Series A Bonds and the Series B Bonds are Parity Debt.

“*Participating Underwriter*” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“*Pass-Through Agreements*” means, with respect to the Shellmound Park Redevelopment Project, the agreement entered into by and between the Former Agency and the County and Alameda County Flood Control and Water Conservation District.

“*Permitted Investments*” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein and are consistent with the Successor Agency’s investment policies, but only to the extent that the same are acquired at Fair Market Value (provided the Trustee may rely upon the Request of the Authority directing investment under the Indenture as a determination that such investment is a Permitted Investment):

(a) United States Treasury Obligations;

(b) Federal Housing Administration debentures;

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

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations,

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

(v) Financing Corporation (FICO) debt obligations, and

(vi) Resolution Funding Corporation (REFCORP) debt obligations;

(d) Unsecured certificates of deposit, time deposits, demand deposits and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P;

(e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million;

(f) Commercial paper (having original maturities of not more than 30 days) rated "A-1+" by S&P and "Prime-1" by Moody's;

(g) Money market funds rated in the highest rating category by S&P and Moody's including such funds for which the Trustee or an affiliate provides investment advice or other services;

(h) "State Obligations," which means:

(i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"),

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase agreements with

(i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P and Moody’s, or

(ii) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated “AA” or better by S&P and Moody’s and acceptable to AGM, provided that:

(A) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach),

(B) The Trustee or a third party acting solely as agent therefor or for the Successor Agency (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books),

(C) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession),

(D) All other requirements of S&P in respect of repurchase agreements shall be met, and

(E) The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the Successor Agency or the Trustee (who shall give such direction if so directed by AGM), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Successor Agency or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt is rated at least “AA” (stable) by S&P and “Aa” (stable) by Moody’s, or, in the case of a monoline municipal bond insurance company, claims paying ability of the guarantor is rated at least “AAA” (stable) by S&P and “Aaa” (stable) by Moody’s; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service with respect to the Bonds;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the Successor Agency and the Trustee agree to give or cause to be

given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the Successor Agency and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Successor Agency, the Trustee and AGM) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Successor Agency, the Trustee and AGM;

(v) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Successor Agency, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Successor Agency or the Trustee (who shall give such direction if so directed by AGM), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Successor Agency or Trustee, and

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Successor Agency or the Trustee (who shall give such direction if so directed by AGM), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Successor Agency or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Successor Agency or Trustee, as appropriate.



(l) The Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Education Code, to the extent the Trustee is authorized to register such investment in its name.

(m) other forms of investments (including repurchase agreements) approved in writing by AGM.

“*Plan Limits*” means, collectively, the Emeryville Plan Limitations and the Shellmound Park Plan Limitations.

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

“*Principal Corporate Trust Office*” means such principal corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Successor Agency, initially being at 100 Pine Street, Suite 3100, San Francisco, CA 94111, 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.

“*Rating Category*” means any generic rating category of Moody’s or S&P, without regard to any refinement of such category by plus or minus sign or by numerical or other qualifying designation.

“*Recognized Obligation Payment Schedule*” means a Recognized Obligation Payment Schedule, prepared and approved from time to time pursuant to subdivision (l) of section 34177 of the Dissolution Act.

“*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 Obligation Retirement Fund*” means the fund by that name established pursuant to section 34170.5 of the Dissolution Act and referenced in the Indenture.

“*Redevelopment Plans*” means, collectively, the Emeryville Redevelopment Plan and the Shellmound Park Redevelopment Plan.

“*Refunding Bond Law*” means, collectively, section 34177.5(g) of the Dissolution Act and section 53580 *et seq.* of the California Government Code

“*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 Financial Consultant 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 said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

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

“*Reserve Account Insurance Policy*” means the municipal bond insurance policy issued by AGM for deposit in the Reserve Account in an amount equal to the Reserve Requirement.

“*Reserve Requirement*” means, as of any date of calculation, to be equal to the least of (a) Maximum Annual Debt Service for the then current or every subsequent Bond Year, (b) 125% of average Annual Debt Service for the then current or every subsequent Bond Year, and (c) 10% of the original principal amount of the Bonds and any Parity Debt

“*Responsible Officer*” means any Vice President, Assistant Vice President or Trust Officer of the Trustee with responsibility for matters related to the Indenture.

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

“*Securities Depositories*” means The Depository Trust Company, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Successor Agency may designate in a Certificate of the Successor Agency delivered to the Trustee.

“*Series A Bonds*” means the Successor Agency to the Emeryville Redevelopment Agency Tax Allocation Refunding Bonds, Series 2014A.

“*Series B Bonds*” means the Successor Agency to the Emeryville Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2014B.

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

“*Shellmound Park Plan Limitations*” means the limitations contained or incorporated in the Shellmound Park Redevelopment Plan on (a) the aggregate principal amount of indebtedness which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Successor Agency pursuant to the Shellmound Park Redevelopment Plan, and (c) the period of time for establishing or repaying indebtedness.

“*Shellmound Park Redevelopment Plan*” means the Redevelopment Plan for the Shellmound Park Redevelopment Project, approved by Ordinance No. 87-07 enacted by the City Council of the City on October 20, 1987, as amended by Ordinance No. 94-005, enacted by the City Council of the City on March 15, 1994, as amended by Ordinance No. 98-012, enacted by the City Council of the City on December 15, 1998, as amended by Ordinance No. 03-008, enacted by the City Council of the City on May 20, 2003, as amended by Ordinance No. 04-007, enacted by the City Council of the City on June 14, 2004, and as amended by Ordinance No. 11-003, enacted by the City Council of the City on February 1, 2011, together with any amendments thereof at any time duly authorized pursuant to the Law.

“*Shellmound Park Redevelopment Project*” “means the area of the undertaking pursuant to the Shellmound Park Redevelopment Plan, together with any amendments of such redevelopment plan at any time duly authorized pursuant to the Law.

“*State*” means the State of California.

“*Statutory Pass-Through Amounts*” means amounts paid to affected taxing agencies pursuant to sections 33607.5 and/or 33607.7 of the Law and section 34183 of the Dissolution Act.

“*Successor Agency*” means the Successor Agency to the Emeryville Redevelopment Agency, as successor to the former Emeryville Redevelopment Agency, a public body corporate and politic duly organized and existing under the Law.

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

“*Tax Revenues*” means the moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of section 34183 of the Dissolution Act, less all Statutory Pass-Through Amounts, all amounts required to be paid to other taxing entities pursuant to the Pass-Through Agreement and all amounts required to be paid pursuant to section 33676 of the Law. If, and to the extent, that the provisions of section 34172 or paragraph (2) of subdivision (a) of section 34183 of the Dissolution Act are invalidated by a final judicial decision, then Tax Revenues shall include all tax revenues allocated to the payment of indebtedness of the Successor Agency pursuant to section 33670 of the Law or such other section as may be in effect at the time providing for the allocation of tax increment revenues to the Successor Agency in accordance with Article XVI, Section 16 of the California Constitution.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Indenture, or any successor thereto appointed as trustee under the Indenture in accordance with the provisions of the Indenture.

“*2001A Authority Bonds*” means the Emeryville Public Financing Authority Revenue Bonds, 2001 Series A (Emeryville Redevelopment and Shellmound Park Redevelopment Projects—Tax-Exempt), originally issued in the principal amount of \$23,000,000 to finance redevelopment activities within and for the benefit of the Redevelopment Projects, of which \$15,210,000 principal amount remains outstanding.

“*2001A Escrow Agreement*” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and among the Authority, the Successor Agency and the Escrow Bank, pursuant to which provision will be made for the redemption of the 2001A Authority Bonds in full on August 25, 2014, at the price of 100% of the principal amount thereof, plus accrued interest.

“*2001A Escrow Fund*” means the Escrow Fund held by the Escrow Bank under and pursuant to the 2001A Escrow Agreement.

“*2001B Authority Bonds*” means the Emeryville Public Financing Authority Revenue Bonds, 2001 Series B (Housing Projects—Taxable), originally issued in the principal amount of \$3,420,000 to finance low and moderate income housing activities within and for the benefit of the Redevelopment Projects, of which \$2,905,000 principal amount remains outstanding.

“*2001B Escrow Agreement*” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and among the Authority, the Successor Agency and the Escrow Bank, pursuant to which provision will be made for the redemption of the 2001B Authority Bonds in full on August 25, 2014, at the price of 100% of the principal amount thereof, plus accrued interest.

“*2001B Escrow Fund*” means the Escrow Fund held by the Escrow Bank under and pursuant to the 2001B Escrow Agreement.

“*2002 Authority Bonds*” means the Emeryville Public Financing Authority Revenue Bonds, 2002 Series A (Emeryville Redevelopment Project), originally issued in the principal amount of \$22,120,000 to finance redevelopment activities within and for the benefit of the Emeryville Redevelopment Project of which \$10,385,000 principal amount remains outstanding.

“*2002 Escrow Agreement*” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and among the Authority, the Successor Agency and the Escrow Bank, pursuant to which provision will be

made for the redemption of the 2002 Authority Bonds in full on August 25, 2014, at the price of 100% of the principal amount thereof, plus accrued interest.

“*2002 Escrow Fund*” means the Escrow Fund held by the Escrow Bank under and pursuant to the 2002 Escrow Agreement.

“*2004 Authority Bonds*” means the Emeryville Public Financing Authority Revenue Bonds, 2004 Series A (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects), originally issued in the principal amount of \$78,790,000 to finance redevelopment and low and moderate income housing activities within and for the benefit of the Redevelopment Projects, of which \$58,615,000 principal amount remains outstanding.

“*2004 Escrow Agreement*” means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and among the Authority, the Successor Agency and the Escrow Bank, pursuant to which provision will be made for the redemption of the 2004 Authority Bonds in full on September 1, 2014, at the price of 100% of the principal amount thereof, plus accrued interest.

“*2004 Escrow Fund*” means the Escrow Fund held by the Escrow Bank under and pursuant to the 2004 Escrow Agreement.

“*Written Request of the Successor Agency*” or “*Written Certificate of the Successor Agency*” means a request or certificate, in writing signed by the Chairman, the Executive Director or the Treasurer of the Successor Agency or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

#### **Costs of Issuance Fund**

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Successor 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 Written Request of the Successor 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. On the date three months following the Closing Date, or upon the earlier Written Request of the Successor Agency stating that all known Costs of Issuance have been paid, all amounts, if any, remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Interest Account and the Costs of Issuance Fund shall be closed.

#### **Issuance of Parity Debt**

In addition to the Bonds, the Successor Agency may issue or incur Parity Debt to refund the Bonds or previously issued Parity Debt in such principal amount as shall be determined by the Successor Agency, pursuant to a separate or Supplemental Indenture adopted or entered into by the Successor Agency and Trustee. The Successor Agency may issue or incur such Parity Debt subject to the following specific conditions precedent:

- (a) The Successor Agency will be in compliance with all covenants set forth in the Indenture;
- (b) The Oversight Board shall have approved the issuance of the Parity Debt.
- (c) The Parity Debt will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for bonds substantially in accordance with the Indenture, and (ii) the deposit of moneys or a surety bond into the Reserve Account in an amount sufficient, together with the balance of the Reserve Account, to equal the Reserve Requirement on all Bonds expected to be outstanding including the Parity Debt;
- (d) Receipt of a certificate or opinion of an Independent Financial Consultant stating that the total net interest cost to maturity of the Parity Debt plus the principal amount of the Parity Debt will not exceed the total net

interest cost to maturity of the Bonds or previously issued Parity Debt to be refunded plus the principal amount of the Bonds or previously issued Parity Debt to be refunded.

(e) The Parity Debt will mature on and interest will be payable on the same dates as the Bonds (except the first interest payment may be from the date of the Parity Debt until either the next succeeding March 1 or September 1).

### **Security of Bonds; Equal Security**

Except as otherwise provided in the Indenture, the Bonds and any additional Parity Debt shall be equally secured by a pledge and lien on all of the Tax Revenues and by a first and exclusive pledge and lien upon all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account therein) without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Bonds by those who shall own the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Trustee for the benefit of the Owners from time to time of the Bonds, and the covenants and agreements in the Indenture set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

### **Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues**

The Successor Agency shall deposit all of the Tax Revenues received in any Bond Year in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts received therein to the Debt Service Fund established and held by the Trustee under the Indenture until such time during such Bond Year as the amounts so transferred to the Debt Service Fund under the Indenture equal the aggregate amounts required to be deposited by the Trustee into the Interest Account, the Principal Account and the Redemption Account of the Debt Service Fund in such Bond Year pursuant to the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Debt, as provided in any Supplemental Indenture.

### **Deposit of Amounts by Trustee**

Moneys in the Debt Service Fund will be transferred by the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective accounts within the Debt Service Fund, in the following order of priority:

*Interest Account.* On or before the fifth Business Day preceding each Interest Payment Date, commencing February 23, 2015, to the extent there are moneys available, the Trustee shall transfer funds from the Debt Service Fund for deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds and Parity Debt on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds and Parity Debt. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and Parity Debt as it becomes due and payable (including accrued interest on any Bonds and Parity Debt redeemed prior to maturity pursuant to the Indenture).

*Principal Account.* On or before the fifth Business Day preceding each September 1, commencing August 25, 2015, to the extent there are moneys available, the Trustee shall transfer funds from the Debt Service Fund for deposit in the Principal Account an amount equal to one-half of the principal payments becoming due and payable on Outstanding Bonds and Parity Debt on the next September 1, to the extent monies on deposit in the Debt Service Fund are available therefor. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal payments to become due on the next September 1 on all Outstanding Bonds and Parity Debt. Subject to the Indenture, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal payments of the Bonds and Parity Debt as it becomes due and payable.

*Sinking Account.* On or before the fifth Business Day preceding each Interest Payment Date, commencing \_\_\_\_\_, to the extent there are moneys available, the Trustee shall transfer funds from the Debt Service Fund for deposit in the Sinking Account an amount equal to one-half of the sinking account payments becoming due and payable on Outstanding Bonds and Parity Debt on the next September 1, to the extent monies on deposit in the Debt Service Fund are available therefor. No such transfer and deposit need be made to the Sinking Account if the amount contained therein is at least equal to the sinking account payments to become due on the next September 1 on all Outstanding Bonds and Parity Debt. Subject to the Indenture, all moneys in the Sinking Account will be used and withdrawn by the Trustee solely for the purpose of paying the aggregate principal amount of the Term Bonds and term bonds relating to Parity Debt required to be redeemed on such September 1.

*Reserve Account.* If, on any Interest Payment Date, the moneys available in the Interest Account and/or the Principal Account do not equal the amount of the principal, interest and redemption premium (if any) with respect to the Bonds then coming due and payable, the Trustee shall apply the moneys available in the Reserve Account to make delinquent amounts by transferring the amount necessary for this purpose to the Interest Account and/or the Principal Account or shall draw on the Reserve Account Insurance Policy and apply amounts received from such draw to make delinquent amounts by transferring the amount necessary for this purpose to the Interest Account and/or the Principal Account. To the extent there is cash or investments on deposit in the Reserve Account, such cash or investments shall be applied first before there is any draw on the Reserve Account Insurance Policy or any other credit facility credited to the Reserve Account in lieu of cash (a "Credit Facility"). Payment of any Reserve Account Insurance Policy Costs (hereinafter defined) shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Account Insurance Policy) on which there is available coverage shall be made on a *pro rata* basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Reserve Account Insurance Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a *pro rata* basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Upon receipt of any delinquent amount with respect to which moneys have been advanced from the Reserve Account or there has been a draw on the Reserve Account Insurance Policy, such amount shall be deposited in the Reserve Account to the extent of such advance and first applied to reimburse a draw on the Reserve Account Insurance Policy and then to replenish any cash drawn therefrom.

The Trustee shall ascertain the necessity for a claim upon the Reserve Account Insurance Policy and to provide notice to AGM in accordance with the terms of the Reserve Account Insurance Policy at least five (5) business days prior to each date upon which interest or principal is due with respect to the Bonds.

The Successor Agency agrees to repay any draws under the Reserve Account Insurance Policy and pay all related reasonable expenses incurred by AGM. Interest shall accrue and be payable on such draws and expenses from the date of payment by AGM at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable



highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as AGM shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Reserve Account Insurance Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Account Insurance Policy Costs related to such draw.

Amounts in respect of Reserve Account Insurance Policy Costs paid to AGM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to AGM on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Account Insurance Policy.

If the Successor Agency shall fail to pay any Reserve Account Insurance Policy Costs in accordance with the requirements of the Indenture, AGM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, other than (i) acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect Owners.

The Indenture shall not be discharged until all amounts due to AGM shall have been paid in full. The Successor Agency's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

*Redemption Account.* On or before the fifth Business Day preceding any date on which Bonds are to be redeemed, the Trustee shall withdraw from the Debt Service Fund and transfer to the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date, taking into account any funds then on deposit in the Redemption Account. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Successor Agency designated by the Successor Agency in writing to be deposited in the Redemption Account. 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 to be redeemed on the respective dates set for such redemption.

### **Covenants of the Successor Agency**

As long as the Bonds are outstanding and unpaid, the Successor Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and any Parity Debt and will tend to make them more marketable; *provided, however*, that the covenants do not require the Successor Agency to expend any funds other than the Tax Revenues:

*Use of Proceeds; Management and Operation of Properties.* The Successor Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Redevelopment Projects in a sound and businesslike manner.

*No Priority.* The Successor Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Tax Revenues which have any lien upon the Tax Revenues prior or superior to the lien of the Bonds. Except as permitted by the Indenture, it will not issue any obligations, payable as to principal or interest, from the Tax Revenues, which have any lien upon the Tax Revenues on a parity with the Bonds authorized in the Indenture. Notwithstanding the foregoing, nothing in the Indenture shall prevent the Successor Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose

of, refunding all or a portion of the Outstanding Bonds and Parity Debt upon meeting the requirements of section 34177.5(a) of the Dissolution Act, (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Tax Revenues which is junior to the Bonds or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Tax Revenues. As used in the Indenture “obligations” includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

*Punctual Payment.* The Successor Agency covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds on the date, at the place and in the manner provided in the Bonds, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds in Recognized Obligation Payment Schedules for each six-month period (or for any other period for which Recognized Obligation Payment Schedules are drafted) so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period, including, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture and for the next payment due thereunder and under the Indenture in the following six-month period.

*Payment of Taxes and Other Charges.* The Successor Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Successor Agency or any of the properties then owned by it in the Redevelopment Projects, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds, all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of the payment.

*Books and Accounts; Financial Statements.* The Successor Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Projects and the Tax Revenues and other funds relating to the Redevelopment Projects. The Successor Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a post-audit of the financial transactions and records of the Successor Agency for the Fiscal Year to be made by an Independent Certified Public Accountant appointed by the Successor Agency, and will furnish a copy of the post-audit to the Trustee and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondowner. The Trustee shall have no duty to review such post-audits.

*Eminent Domain Proceeds.* The Successor Agency covenants and agrees that if all or any part of the Redevelopment Projects should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year property tax roll of the Redevelopment Projects.

*Disposition of Property.* The Successor Agency covenants and agrees that it will not dispose of land area in the Redevelopment Projects (except property in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public off-street parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in Tax Revenues to be less than 1.25 times Maximum Annual Debt Service, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Successor Agency.

*Protection of Security and Rights of Bondowners.* The Successor Agency covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondowners and to contest by court action or otherwise (i) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that (A) the Law is unconstitutional or (B) that the Tax Revenues pledged under the Indenture cannot be paid to the Successor Agency for the debt service on the Bonds or (ii) any other action affecting the validity of the Bonds or diluting the security therefor, including, with respect to the Tax Revenues, the senior lien position of the Bonds to the Statutory Pass-Through Agreements.

*Tax Covenants.* The Successor Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any departments or agency thereof that the interest received by the Series A Bondowners is includable in gross income of the recipient under federal income tax laws on the date of issuance of the Series A Bonds. Notwithstanding any other provision of the Indenture, absent an opinion of Series A Bond Counsel that the exclusion from gross income of interest with respect to the Series A Bonds and Parity Debt will not be adversely affected for federal income tax purposes, the Successor Agency covenants to comply with all applicable requirements of the Tax Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

**Rebate Requirement.** The Successor Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government. In the event that the Successor Agency shall determine that any amounts are due and payable to the United States of America under the Indenture and that the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the Interest Account, the Principal Account, the Sinking Account and excluding any other moneys required to pay the principal of or interest or redemption premium, if any, on the Series A Bonds) to make such payment, the Successor Agency shall promptly pay from available Tax Revenues or any other source of legally available funds the sum of (a) one hundred percent (100%) of the amounts determined to be due and payable to the United States of America as a result of the investment of amounts on deposit in any fund or account established under the Indenture, plus (b) all other amounts due and payable to the United States of America.

**Private Business Use Limitation.** The Successor Agency shall assure that the proceeds of the Series A Bonds are not used in a manner which would cause the Series A Bonds to become “private activity Series A Bonds” within the meaning of section 141(a) of the Tax Code.

**Private Loan Limitation.** The Successor Agency shall assure that no more than five percent (5%) of the net proceeds of the Series A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units.

**Federal Guarantee Prohibition.** The Successor 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 Series A Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Tax Code.

(v) **No Arbitrage.** The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Series A 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 of the Series A Bonds, would have caused the Series A Bonds to be “arbitrage Series A Bonds” within the meaning of section 148(a) of the Tax Code.

*Compliance with Dissolution Act.* The Successor Agency covenants that it will comply with the requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants under the Indenture. The Successor Agency shall take all actions

required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds coming due in such Bond Year, including the inclusion on the applicable Recognized Obligation Schedule the amounts set forth in the Recognized Obligation Debt Service Schedule.

Not fewer than 90 days prior to each January 2, commencing January 2, 2015, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the County Auditor-Controller which shall include the following: (i) all scheduled interest payments on all Outstanding Bonds of the Successor Agency that are due and payable during the next calendar year, (ii) all scheduled principal and mandatory sinking fund redemption payments on all Outstanding Bonds of the Successor Agency that are due and payable during the next calendar year, and (iii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture.

*Compliance with the Dissolution Act; Recognized Obligation Payment Schedules.* The Successor Agency shall comply with all of the requirements of the Dissolution Act. The Successor Agency shall take all actions required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Successor Agency to pay timely principal of, and interest on, all outstanding obligations coming due in such Bond Year, including the inclusion on the applicable Recognized Obligation Schedule the amounts set forth in the Recognized Obligation Debt Service Schedule attached hereto as Exhibit C and hereby made a part of the Indenture.

*Compliance with Plan Limit.* If and to the extent that the Plan Limit applies to the Successor Agency under the Law, the Successor Agency will annually review, no later than December 1 of each year, the total amount of remaining tax increment to be received by the Successor Agency under the Plan Limit (assuming all incremental revenue is allocated to the Successor Agency), as well as future cumulative principal of and interest and premium (if any) on the outstanding Bonds and any Parity Debt, estimated future fees of the Trustee any obligations of the Successor Agency that are senior to the Bonds or that are subordinate to the Bonds. If, based on such review, the allocation of tax increment to the Successor Agency in any of the next three succeeding Fiscal Years would cause an amount equal to 95% of the amount remaining under the Plan Limit to fall below the remaining cumulative principal of and interest and premium (if any) on the outstanding Bonds and any Parity Debt, estimated future fees of the Trustee and any obligations of the Successor Agency that are senior to the Bonds or that are subordinate to the Bonds, the Successor Agency will include in its Recognized Obligation Payment Schedule sufficient additional amounts to fund a defeasance escrow to be held by the Trustee and to be pledged solely to the payment of debt service on the Bonds, which escrow shall be invested in Defeasance Obligations and used for the payment of principal of, redemption premiums, if any, and interest on the Bonds to ensure that there are sufficient remaining tax increment revenues under the Plan Limit to pay the remaining debt service.

*Dissolution Act Invalid; Maintenance of Tax Revenues.* In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Law or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Law or the equivalent to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State.

*Continuing Disclosure.* The Successor Agency hereby 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 Successor Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default under the Indenture. However, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its continuing disclosure obligations.

## Deposit and Investment of Moneys in Funds

Subject to the provisions of the Indenture, all moneys held by the Trustee in the Debt Service Fund, Costs of Issuance Fund or the Redemption Account, shall, at the written direction of the Successor Agency, be invested only in Permitted Investments. If the Trustee receives no written directions from the Successor Agency as to the investment of moneys held in any fund or account, the Trustee shall request such written direction from the Successor Agency and, pending receipt of instructions, shall invest such moneys solely in Permitted Investments described in subsection (d) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the Successor Agency specifying a specific money market fund and, if no such written direction is so received, the Trustee shall hold such moneys uninvested.

(a) Moneys in the Redevelopment Obligation Retirement Fund shall be invested by the Successor Agency only in obligations permitted by the Law which will by their terms mature not later than the date the Successor Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund.

(b) Moneys in the Interest Account, the Principal Account, the Sinking Account and the Redemption Account of the Debt Service Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest and principal payment date, there will be in such account, from matured obligations and other moneys already in such account, cash equal to the interest and principal payable on such payment date.

(c) Moneys in the Reserve Account shall be invested in (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account.

Obligations purchased as an investment of moneys in any of the funds or accounts shall be deemed at all times to be a part of such respective Fund or Account and the interest accruing thereon and any gain realized from an investment shall be credited to such Fund or Account and any loss resulting from any authorized investment shall be charged to such Fund or Account without liability to the Trustee. The Successor Agency or the Trustee, as the case may be, shall sell or present for redemption any obligation purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by the Indenture and shall incur no liability for any loss realized upon such a sale. All interest earnings received on any monies invested in the Interest Account, Principal Account, Sinking Account, Redemption Account or Reserve Account, to the extent they exceed the amount required to be in such Account, shall be transferred on each Interest Payment Date to the Debt Service Fund. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Indenture. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture. The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Indenture.

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.

The value of Permitted Investments shall be determined as follows: (i) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such



time of determination; (ii) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (iii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (iv) as to any investment not specified above: the value thereof established by prior agreement between the Successor Agency and the Trustee. If more than one provision of this definition of “value” shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment; provided, notwithstanding the foregoing, in making any valuations under the Indenture, the Trustee may utilize and conclusively rely upon such pricing services as may be regularly available to it, including, without limitation, those within its regular accounting system.

### **Accounting Records and Financial Statements**

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds made by it and all funds and accounts held by the Trustee established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Successor Agency upon reasonable prior notice, at reasonable hours and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting of all transactions in the form of its customary statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to the Indenture. The Trustee shall maintain and store such records for a period of one year after the stated maturity of the Bonds.

### **Amendment**

The Indenture and the rights and obligations of the Successor 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 Successor Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Successor 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 Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Parity Debt in accordance with the Indenture; or

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of nationally recognized bond counsel.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (b) reduce the percentage of



Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In addition, the Trustee shall be entitled to an opinion of counsel concerning the Supplemental Indenture's lack of any material adverse effect on the Owners and that all conditions precedent for any supplement or amendment have been satisfied.

### **Events of Default**

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

(a) if default shall be made by the Successor Agency in the due and punctual payment of the principal or sinking fund payment of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of sixty (60) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 60 day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency within such 60 day period and the Successor Agency thereafter diligently and in good faith cures such failure within 120 days; or

(c) if the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

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, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) the Trustee shall, subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Promptly upon receiving written notice or actual knowledge (of a Responsible Officer) of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the

reasonable expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel) to and any and all other defaults of which the Trustee has notice (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, with the prior written approval of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

### **Application of Funds Upon Acceleration**

All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

*First*, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

*Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

### **Remedies Not Exclusive**

No remedy in the Indenture conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

### **Discharge of Indenture**

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

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, or;

(c) by irrevocably depositing with the Trustee or another fiduciary, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion of (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Successor Agency under the Indenture with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligations of the Successor Agency under the Indenture, and (d) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due to the Trustee pursuant to the Indenture shall be paid over to the Successor Agency.

To accomplish defeasance the Successor Agency shall cause to be delivered (i) a Report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or earlier redemption date (“Verification”), (ii) an escrow deposit agreement, and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer “Outstanding” under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Successor Agency and the Trustee.

#### **Certain Provisions Relating to AGM and the Municipal Bond Insurance Policy**

*Defeasance.* In the event that the principal and/or interest due with respect to the Insured Bonds shall be paid by AGM pursuant to the Municipal Bond Insurance Policy, the Insured Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Successor Agency to the Owners shall continue to exist and shall run to the benefit of AGM and AGM shall be subrogated to the rights of such Owners, including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Insured Bonds.

#### *Trustee-Related Provisions.*

(a) AGM shall receive prior written notice of any name change of the Trustee or the resignation, removal or termination of the Trustee.

(b) No resignation, removal or termination of the Trustee shall take effect until a successor, acceptable to AGM, shall be appointed.

(c) The Trustee may be removed at any time at the request of AGM for any breach of its obligations under the Indenture.

*Amendments and Supplements.*

(a) With respect to amendments or supplements to the Indenture which do not require the consent of the Owners, AGM must be given prior written notice of any such amendments or supplements.

(b) With respect to amendments or supplements to the Indenture which do require the consent of the Owners, AGM's prior written consent is required.

(c) Copies of any amendments or supplements to the Indenture which are consented to by AGM shall be sent to the rating agencies that have assigned a rating to the Bonds.

(d) Notwithstanding any other provision of the Indenture, in determining whether the rights of Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Trustee shall consider the effect on the Owners as if there was no Municipal Bond Insurance Policy.

(e) AGM shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant the provisions of the Indenture. pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

*AGM as Third Party Beneficiary.* To the extent that the Indenture confers upon or gives or grants to AGM any right, remedy or claim under or by reason of the Indenture, AGM is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right, remedy or claim conferred, given or granted thereunder.

*Control Rights.*

(a) AGM shall be deemed to be the Owner of all of the Insured Bonds for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (ii) granting any consent, direction or approval or taking any action permitted by or required under the Indenture, as the case may be, to be granted or taken by the Owners of such Insured Bonds.

(b) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, AGM shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners.

(c) The rights granted to AGM under the Indenture to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of AGM.

*Consent Rights of AGM.*

(a) *Consent of AGM.* Any provision of the Indenture expressly recognizing or granting rights in or to AGM may not be amended in any manner that affect the rights of AGM thereunder without the prior written consent of AGM.

(b) *Consent of AGM in Addition to Owner Consent.* Wherever the Indenture requires the consent of Owners, AGM's consent shall also be required.

(c) *Consent of AGM in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the Successor Agency must be acceptable to AGM. In the event of any reorganization or liquidation, AGM shall have the right to vote on behalf of all Owners who hold Insured Bonds guaranteed by AGM, absent a default by AGM under the Municipal Bond Insurance Policy.

The rights granted to AGM under the Indenture to request. consent to or direct any action are rights granted to AGM in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf, of the Owners and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of AGM.

### **Payment Procedure Under the Municipal Bond Insurance Policy**

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal and interest with respect to the Insured Bonds due on such Payment Date, the Trustee shall give notice to AGM and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Insured Bonds due on such Payment Date, the Trustee shall make a claim under the Municipal Bond Insurance Policy and give notice to AGM and AGM's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Insured Bonds and the amount required to pay principal with respect to the Insured Bonds, confirmed in writing to AGM and AGM's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Insured Bond delivered with the Municipal Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal with respect to Insured Bonds paid by AGM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Owners, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to AGM, registered in the name of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Successor Agency with respect to any Insured Bond or the subrogation rights of AGM.

The Trustee shall keep a complete and accurate record of all funds deposited by AGM into the Municipal Bond Insurance Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal with respect to any Insured Bond. AGM shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to as the "Municipal Bond Insurance Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Municipal Bond Insurance Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections of the Indenture regarding payment of Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the Successor Agency agrees to pay to AGM (i) a sum equal to the total of all amounts paid by AGM under

the Municipal Bond Insurance Policy (the “Insurer Advances”); and (ii) interest on such Insurer Advances from the date paid by AGM until payment thereof in full, payable to AGM at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest with respect to the Insured Bonds, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Successor Agency covenants and agrees that AGM Reimbursement Amounts are secured on a parity with amounts due under the Indenture.

Accounts held in the Municipal Bond Insurance Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Municipal Bond Insurance Policy Payments Account following a Payment Date shall promptly be remitted to AGM.

AGM shall, to the extent it makes any payment of principal or interest with respect to the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy. Each obligation of the Successor Agency to AGM under the Indenture shall survive discharge or termination of the Indenture.

The Successor Agency shall pay or reimburse AGM any and all charges, fees, costs and expenses that AGM may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Indenture whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Indenture or the transactions contemplated thereby, other than costs resulting from the failure of AGM to honor its obligations under the Municipal Bond Insurance Policy. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Successor Agency or rebate only after the payment of past due and current debt service on the Insured Bonds and amounts required to restore the Reserve Account to the Reserve Requirement.

AGM shall be entitled to pay principal or interest with respect to the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy), whether or not AGM has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.



**APPENDIX B**  
**FORMS OF OPINIONS OF BOND COUNSEL**

**SERIES 2014A BONDS**

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Successor Agency to the Emeryville Redevelopment Agency  
1333 Park Avenue  
Emeryville, California 94608

**OPINION:**      \$100,000,000\* Successor Agency to the Emeryville Redevelopment Agency Tax Allocation Refunding Bonds, Series 2014A

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Members of the Successor Agency:

We have acted as bond counsel in connection with the issuance by the Successor Agency to the Emeryville Redevelopment Agency, as successor to the former Emeryville Redevelopment Agency (the “Successor Agency”), of \$100,000,000\* Successor Agency to the Emeryville Redevelopment Agency, Tax Allocation Refunding Bonds, Series 2014A (the “Bonds”), pursuant to the provisions of section 34177.5 of the California Health and Safety Code and section 53580 *et seq.* of the California Government Code (collectively, the “Refunding Bond Law”), a resolution adopted by the Successor Agency on May 6, 2014, and an indenture of trust, dated as of August 1, 2014, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”).

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 Successor 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, as follows:

1. The Successor 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 Successor Agency and constitutes a valid and binding obligation of the Successor Agency enforceable in accordance with its terms.
3. Pursuant to the Refunding Bond Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds on a parity with any Parity Debt that may be issued under and as such term is defined in the Indenture.

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\* Preliminary, subject to change.

4. The Bonds have been duly authorized, executed and delivered by the Successor Agency and are valid and binding special obligations of the Successor Agency, payable solely from the sources provided therefor in the Indenture.

5. Subject to the Successor Agency's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and 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 to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the 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.

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,

**SERIES 2014B BONDS**

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Successor Agency to the Emeryville Redevelopment Agency  
1333 Park Avenue  
Emeryville, California 94608

**OPINION:** \$15,000,000\* Successor Agency to the Emeryville Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2014B

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Members of the Successor Agency:

We have acted as bond counsel in connection with the issuance by the Successor Agency to the Emeryville Redevelopment Agency, as successor to the former Emeryville Redevelopment Agency (the “Successor Agency”), of \$15,000,000\* Successor Agency to the Emeryville Redevelopment Agency, Taxable Tax Allocation Refunding Bonds, Series 2014B (the “Bonds”), pursuant to the provisions of section 34177.5 of the California Health and Safety Code and section 53580 *et seq.* of the California Government Code (collectively, the “Refunding Bond Law”), a resolution adopted by the Successor Agency on May 6, 2014, and an indenture of trust, dated as of August 1, 2014, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”).

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 Successor 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, as follows:

1. The Successor 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 Successor Agency and constitutes a valid and binding obligation of the Successor Agency enforceable in accordance with its terms.
3. Pursuant to the Refunding Bond Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds on a parity with any Parity Debt that may be issued under and as such term is defined in the Indenture.
4. The Bonds have been duly authorized, executed and delivered by the Successor Agency and are valid and binding special obligations of the Successor Agency, payable solely from the sources provided therefor in the Indenture.

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\* Preliminary, subject to change.

5. It is our opinion that under present law, interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes.

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.

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 C

### BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing Successor Agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.



## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the SUCCESSOR AGENCY TO THE EMERYVILLE REDEVELOPMENT AGENCY (the “Successor Agency”) in connection with the issuance of \$100,000,000\* aggregate principal amount of Successor Agency to the Emeryville Redevelopment Agency Tax Allocation Refunding Bonds, Series 2014A (the “Series 2014A Bonds”), and \$15,000,000\* aggregate principal amount of Successor Agency to the Emeryville Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2014B (the “Series 2014B Bonds” and, with the Series 2014A Bonds, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 2014 (the “Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds shall be secured by a pledge, charge and lien upon Tax Revenues (as such term is defined in the Indenture). The Successor 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 Successor 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 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean Willdan Financial Services or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation. In the absence of such a designation, the Successor 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 Bonds required to comply with the Rule in connection with the offering of the 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 Successor Agency for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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\* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The Successor Agency shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Successor Agency's fiscal year (which currently ends on June 30), commencing with the report for the 2013-14 Fiscal Year, which is due not later than March 31, 2015, 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 Successor 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 Successor 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 Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency.

(d) *Report of Non-Compliance.* If the Successor 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 Successor Agency shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the Successor 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 Successor Agency, file a report with the Successor 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 Successor Agency for the preceding fiscal year, prepared in accordance with generally accepted accounting principles. If the Successor 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 financial statements of the Successor Agency, the Annual Report shall also include financial and operating data with respect to the Successor Agency for the preceding fiscal year, as follows:

- (i) Breakdown of Assessed Valuation By Category of Use;
- (ii) Historical Taxable Values and Tax Revenues;
- (iii) Ten Largest Property Taxpayers, by Assessed Value;
- (iv) Debt Service Coverage.

(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 Successor Agency or related public entities, which are available to the public on EMMA. The Successor 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 Successor 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 Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, give notice of the occurrence of any of the following events with respect to the 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.

(b) *Material Reportable Events.* The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (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 Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor 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 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 Successor Agency's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor 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 Successor 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 Successor Agency, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Successor 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 Successor 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 Bond 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 Successor 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 Successor Agency.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Successor 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 Successor 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 Successor 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 Successor Agency. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the Successor 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 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 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 Bond owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the Successor 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 Successor 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 Successor 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 Successor 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 Successor 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 Successor 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 Successor Agency to comply with their obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate was (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. 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 Successor 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 Successor Agency under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

SUCCESSOR AGENCY TO THE EMERYVILLE  
REDEVELOPMENT AGENCY

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

ACKNOWLEDGED:

WILLDAN FINANCIAL SERVICES, as Dissemination Agent

By \_\_\_\_\_  
Authorized Officer



EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Successor Agency to the Emeryville Redevelopment Agency

Names of Issues: Successor Agency to the Emeryville Redevelopment Agency Tax Allocation Refunding Bonds, Series 2014A

Successor Agency to the Emeryville Redevelopment Agency Taxable Tax Allocation Refunding Bonds, Series 2014B

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

WILLDAN FINANCIAL SERVICES, Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

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**APPENDIX E**

**EXCERPTS FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF  
THE CITY OF EMERYVILLE FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
City of Emeryville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Emeryville, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Honorable Mayor and Members of the City Council  
City of Emeryville, California

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Emeryville, California, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Housing Assets Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.





To the Honorable Mayor and Members of the City Council  
City of Emeryville, California

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Lance, Solt & Loughard, LLP*

Brea, California  
December 13, 2013

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# The City of Emeryville

## Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides an overview of the City of Emeryville's activities and financial performance for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found in an earlier section of this report.

### FINANCIAL HIGHLIGHTS

The comparisons in the discussion and analysis below are between fiscal years 2012-13 and 2011-12. All increases and decreases are expressed relative to fiscal year 2011-12 results. Highlights of fiscal year 2012-13 include the following:

- The assets of the City of Emeryville exceeded its liabilities at the close of the most recent fiscal year by \$197.8 million (*net position*), an increase of \$7.8 million from the prior year. Of this amount, \$76.5 million represents net investment in capital assets, and \$29.0 million represents resources restricted for debt service payments, community development, public safety, public works, capital projects, small business incentive, economic development and community services. The remaining \$92.3 million represents the accumulated unrestricted surplus at the close of fiscal year 2013.
- The governmental activities total net position increased by \$7.4 million. Business-Type total net positions increased by approximately \$.4 million.
- At the close of the current fiscal year, the City of Emeryville's governmental funds reported combined ending fund balances of \$81.7 million, an increase of \$4.9 million in comparison with the prior year.
- At the end of the current fiscal year, the unassigned General Fund Balance comprised of \$10.3 million of the total \$34.8 General Fund Balance or 37 percent of total General Fund budgeted expenditures of \$27.9 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

For certain entities and funds, the City acts solely as a depository agent. For example, the City has several assessment districts for which the City provides fiduciary statements showing the cash balances and activities of these districts. These statements are separate from, and their balances are excluded from, the City's financial statements.

## **Government-wide Financial Statements**

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses.

The *statement of net position* presents all of the City's assets, deferred outflow of resources, deferred inflow of resources, and liabilities; with total assets plus deferred outflow of resources less deferred inflow of resources and less total liabilities reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to cover all or in part a portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include City Council, City Manager, City Attorney, Finance, Human Resources, Planning and Building, Economic Development and Housing, non-departmental operations, Property Based Improvement District, Police, Fire, Public Works, Community Services, Child Development, Youth and Adult Services, and Information Technology services. These services are supported by general City revenues such as taxes and by specific program revenues such as fees. The City's only enterprise activity, the Sewer Fund, is reported under Business-type Activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate community development commission, management of Emeryville services authority, and a public financing authority for which the City is financially accountable.

## **Fund Financial Statements**

Fund financial statements are designed to report groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

*Governmental Funds* account for essentially the same functions as the government-wide activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds

statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Emeryville maintains thirty-three (33) individual governmental funds, which are distinguished between major and non-major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, one (1) special revenue fund, and one (1) capital project fund. These three (3) funds are considered to be major funds. Data from the other thirty (30) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Emeryville adopts biennial appropriated budgets for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in the table of contents under the heading Basic Financial Statements.

*Proprietary Funds* are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. *Proprietary funds* are used to present the same functions as *business-type activities* in the government-wide financial statements. The City uses proprietary funds to report the Sewer System and Internal Service funds, including the Management of Emeryville Services Authority (MESA). MESA is a joint powers authority that was created in 1998 and employs all of the City’s miscellaneous staff. The City pays MESA to provide cost-effective management, administrative, special and general personnel services to the City of Emeryville and/or CDCE, through a joint-powers agreement, which includes providing payroll services for employees of the City of Emeryville.

*Fiduciary Funds* are used to account for resources held for the benefit of the City’s employees and parties outside of the City. The City’s pension fund (closed system prior to joining PERS) and agency funds are reported under Fiduciary funds. The private-purpose trust fund was created in fiscal year 2012 to account for the dissolution of the former Emeryville Redevelopment Agency and represents the accounts of the Emeryville Successor Agency. Since the resources of these funds are not available to support the City’s own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund financial statements.

### ***Other Information***

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, agency funds, and the private-purpose trust funds are presented immediately following the basic financial statements. Combining and individual fund statements and schedules can be found in the table of contents under combining and individual fund statements and schedules.

## FINANCIAL ANALYSIS

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Analysis of Net position:** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Emeryville, assets exceeded liabilities by \$197.8 million at the close of the most recent fiscal year, which is \$7.8 million more than the previous year.

The largest portion of the City of Emeryville's net position is \$92.3 million which is unrestricted in use. Net investment in capital assets totaled \$76.5 million. Net position of \$29.0 million are restricted for various programs including community development, public safety, public works, capital projects, debt service, small business incentive, economic development, and community services. The City of Emeryville uses these assets to provide services to citizens; consequently, these assets are not available for future spending.

The following is a condensed summary of the City of Emeryville's net position for governmental and business type activities:

#### Statement of Net Position (\$ In millions)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Cash and Investments	\$ 79.1	\$ 74.5	\$ 4.5	\$ 4.0	\$ 83.6	\$ 78.5
Other Assets	47.4	44.8	0.1	0.2	47.5	45.0
Capital Assets	75.1	75.6	5.6	5.7	80.7	81.3
<b>Total Assets</b>	<u>201.6</u>	<u>194.9</u>	<u>10.2</u>	<u>9.9</u>	<u>211.8</u>	<u>204.8</u>
Long-Term Debt	9.2	10.7	-	-	9.2	10.7
Other Liabilities	4.8	4.0	-	0.1	4.8	4.1
<b>Total Liabilities</b>	<u>14.0</u>	<u>14.7</u>	<u>-</u>	<u>0.1</u>	<u>14.0</u>	<u>14.8</u>
<b>Net Position:</b>						
Net investment in capital assets	70.9	71.1	5.6	5.7	76.5	76.8
Restricted	24.9	28.0	4.1	-	29.0	28.0
Unrestricted	91.8	81.1	0.5	4.1	92.3	85.2
<b>Total Net Position</b>	<u>\$ 187.6</u>	<u>\$ 180.2</u>	<u>\$ 10.2</u>	<u>\$ 9.8</u>	<u>\$ 197.8</u>	<u>\$ 190.0</u>

**Analysis of activities:** At the end of fiscal year 2012-13, the City of Emeryville's governmental net position increased \$7.4 million. Key elements of these changes are reflected in the following table.



**Changes in Net Position**  
**Net Position at June 30**  
(\$ in millions)

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Charges for services	\$ 7.8	\$ 9.3	\$ 1.2	\$ 0.9	\$ 9.0	\$ 10.2
Operating contributions & grants	7.4	3.3	-	-	7.4	3.3
Capital contributions & grants	0.5	0.3	-	-	0.5	0.3
Property Taxes	8.6	2.5	-	-	8.6	2.5
Incremental Property Tax	-	16.4	-	-	-	16.4
Franchise Tax	1.3	1.5	-	-	1.3	1.5
Sales Taxes	7.5	7.0	-	-	7.5	7.0
Business License Taxes	7.3	6.9	-	-	7.3	6.9
Transient Occupancy Tax	4.9	4.2	-	-	4.9	4.2
Utility Users Tax	2.9	2.8	-	-	2.9	2.8
Other Taxes and Fines	0.2	0.1	-	-	0.2	0.1
Motor Vehicle In Lieu	0.6	0.6	-	-	0.6	0.6
Use of Money and Property	0.4	2.3	-	0.1	0.4	2.4
Miscellaneous	0.5	0.1	-	-	0.5	0.1
<b>Total Revenues</b>	<b>49.9</b>	<b>57.3</b>	<b>1.2</b>	<b>1.0</b>	<b>51.1</b>	<b>58.3</b>
<b>Expenses</b>						
City Council	0.1	0.2	-	-	0.1	0.2
City Manager	0.7	0.8	-	-	0.7	0.8
City Attorney	0.6	0.6	-	-	0.6	0.6
Finance	0.9	1.0	-	-	0.9	1.0
Human Resources	0.5	0.5	-	-	0.5	0.5
Planning & Building	2.0	2.3	-	-	2.0	2.3
Economic development	0.9	1.2	-	-	0.9	1.2
Redevelopment	-	6.2	-	-	-	6.2
General Government	6.1	4.3	-	-	6.1	4.3
Property Based Improvement District	2.6	2.6	-	-	2.6	2.6
Police	9.6	10.8	-	-	9.6	10.8
Fire	5.8	6.0	-	-	5.8	6.0
Public works	7.8	5.9	-	-	7.8	5.9
Community Services	0.5	0.5	-	-	0.5	0.5
Child development	1.6	1.6	-	-	1.6	1.6
Youth Services	0.7	0.8	-	-	0.7	0.8
Adult Services	0.5	0.6	-	-	0.5	0.6
Information Technology	0.4	0.5	-	-	0.4	0.5
Interest on long-term debt	0.3	1.7	-	-	0.3	1.7
Sewer	-	-	0.7	0.3	0.7	0.3
<b>Total Expenses</b>	<b>41.6</b>	<b>47.9</b>	<b>0.7</b>	<b>0.3</b>	<b>42.3</b>	<b>48.2</b>
<b>Increase(Decrease) in Net Position, before Transfers and Extraordinary Items</b>	<b>8.3</b>	<b>9.4</b>	<b>0.5</b>	<b>0.7</b>	<b>8.8</b>	<b>10.1</b>
Extraordinary gain/(loss)	1.5	(3.9)	-	-	1.5	(3.9)
<b>Transfers</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>9.9</b>	<b>5.6</b>	<b>0.4</b>	<b>0.6</b>	<b>10.3</b>	<b>6.2</b>
<b>Beginning Net Position, restated</b>	<b>180.2</b>	<b>178.6</b>	<b>9.8</b>	<b>9.2</b>	<b>190.0</b>	<b>187.8</b>
<b>Restatement of Net Position</b>	<b>(2.5)</b>	<b>(4.1)</b>	<b>-</b>	<b>-</b>	<b>(2.5)</b>	<b>(4.1)</b>
<b>Ending Net Position</b>	<b>\$ 187.6</b>	<b>\$ 180.2</b>	<b>\$ 10.2</b>	<b>\$ 9.8</b>	<b>\$ 197.8</b>	<b>\$ 190.0</b>

## **Governmental Activities – Revenues**

Governmental revenues totaled \$49.9 million in fiscal year 2012-13, a decrease of \$7.3 million.

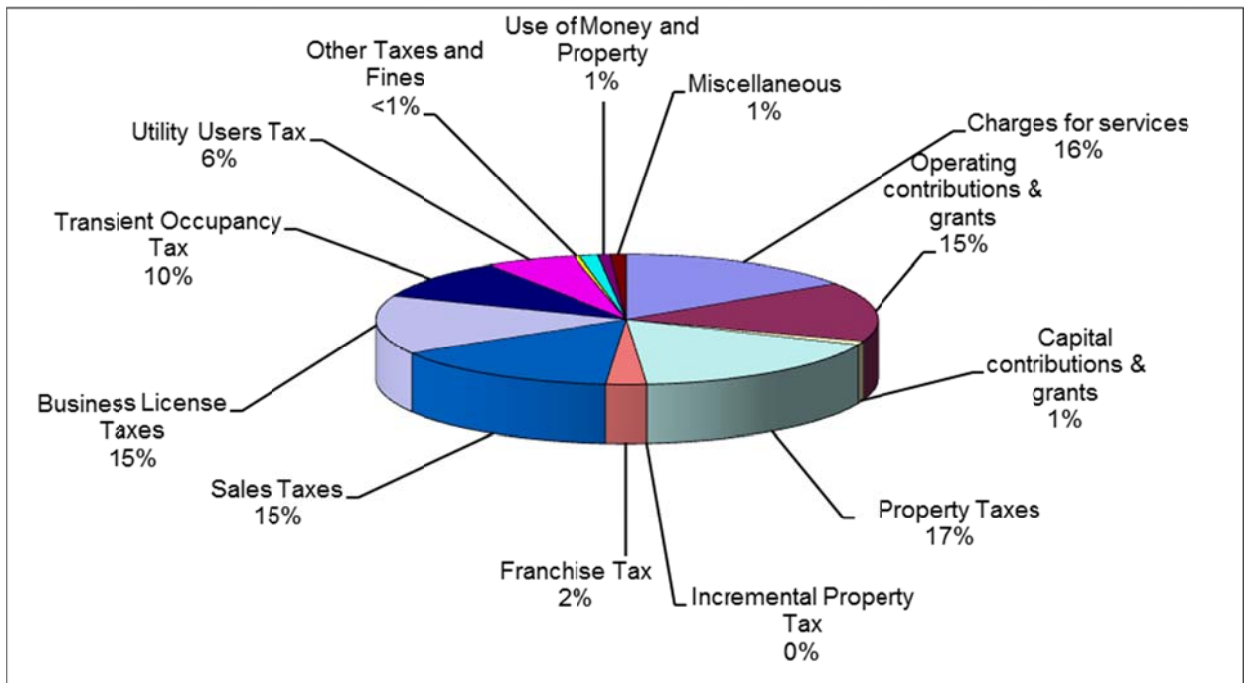
Program revenues, including charges for services, operating grants and contributions, and capital grants and contributions are generated from or restricted to each activity. Together, they totaled \$15.7 million; an increase of \$2.8 million. The increase resulted from the following:

- Charges for services decreased \$1.5 million due to decreases in public works and planning & building related activities.
- Operating contributions and grants increased \$4.2 million primarily in the economic development category.

General revenues are composed of taxes and other revenues not specifically generated by or restricted to individual activities. Tax revenues, investment earnings, and rents for governmental facilities are all components of general revenues. Total general revenues decreased by \$10.3 million to \$34.2 million (before extraordinary gain) in fiscal year 2012-13. This is primarily due to a decline in the tax increment of \$16.3 million due to the dissolution of the former redevelopment agency.

The following Total Revenues chart includes only current year revenues and includes all funds, not just the General Fund.

### **Total Revenues, Governmental Activities – 2012-13**

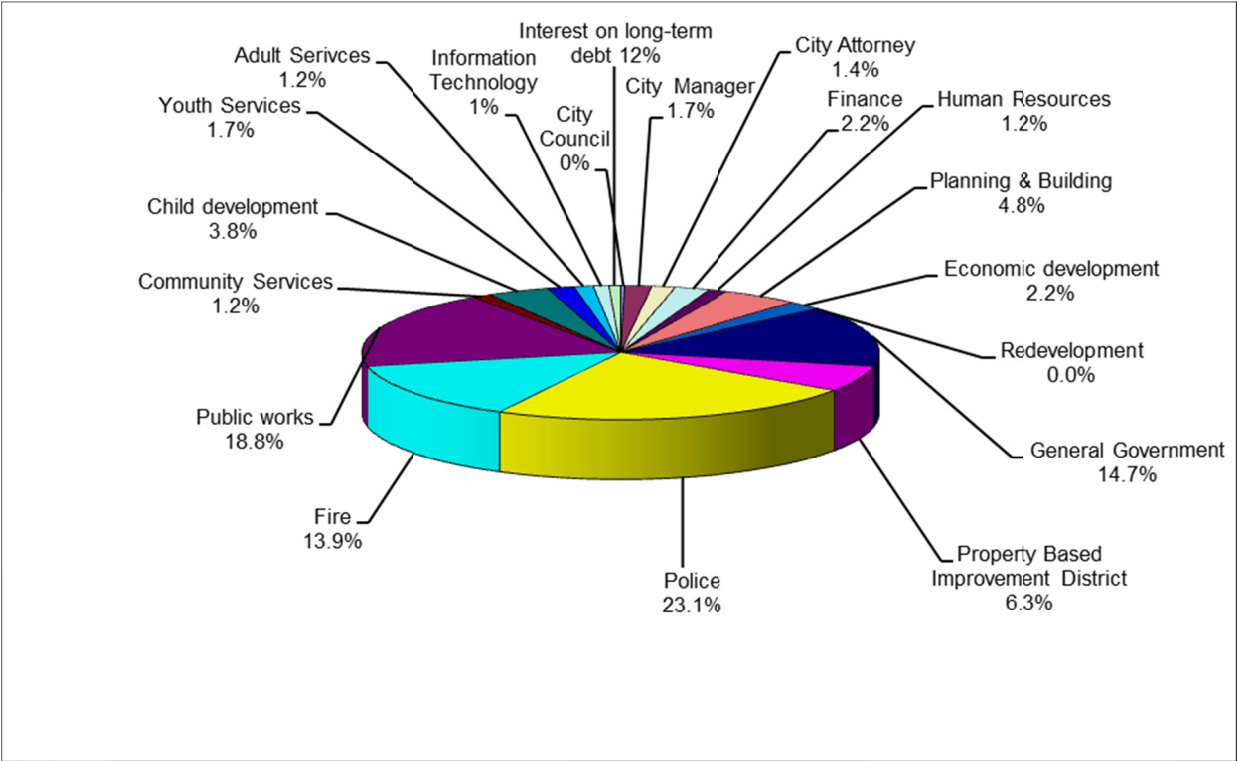


**Governmental Activities – Expenses**

Total expenses from governmental activities were \$41.6 million in fiscal year 2012-13, a decrease of \$6.3 million from prior year. This was primarily a result of the reduction in the former redevelopment agency expenses which decreased by \$6.2 million, a result of the dissolution of the former redevelopment agency.

The Functional Expenses chart below includes only current year expenses for governmental activities and is not limited to only the General Fund.

**Functional Expenses, Governmental Activities – 2012-13**



**Business-Type Activities (Sewer Fund) – Revenues**

Revenues from business-type activities remained stable compared to the prior year with revenues totaling \$1.2 million in fiscal 2012-13.

**Business-Type Activities (Sewer Fund) – Expenses**

Expenses from business-type activities of \$.7 million increased by \$.4 million compared to the prior year at \$.3 million.

## FUND FINANCIAL STATEMENTS

As noted earlier, the City uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

The table below summarizes City activity and balances at the fund level.

**Financial Highlights  
Governmental Fund Level  
at Fiscal Year Ended June 30  
(\$ in millions)**

	<b>2013</b>	<b>2012</b>	<b>Increase (Decrease)</b>
Total Assets	\$ 112.5	\$ 100.1	\$ 12.4
Total Liabilities	7.9	23.3	(15.4)
Total Deferred Inflows of Resources	23.0	0.0	23.0
Total Fund Balances	81.7	76.8	4.9
Total Revenues	46.4	58.1	(11.7)
Total Expenditures	38.9	56.5	(17.6)
Total Other Financing Sources (uses)	(0.1)	(0.7)	0.6
Extraordinary gain/(loss)	0.0	(123.2)	123.2

At the end of the current fiscal year, the City's Governmental Funds reported combined fund balances of \$81.7 million, an increase of \$4.9 million or 6%. Governmental Fund revenues decreased \$11.7 million to \$46.4 million primarily as a result of the elimination of the former redevelopment property tax increment.

Governmental Fund expenditures decreased \$17.6 million this year to \$38.9 million due to a combination of factors:

- Former redevelopment expenditures decreased \$5.9 million a result of the dissolution of the former redevelopment agency.
- Debt service expenditures decreased \$10.2 million as result of the transfer of long-term debt to the Successor Agency, in which the semi-annual debt payments were an expense of the private-purpose trust fund.

**General Fund** - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$10.3 million while total fund balance was \$34.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund

expenditures. Unassigned fund balance represents 39.0 percent of General Fund expenditures of \$26.7.

General Fund revenues decreased by \$1.2 million to \$31.2 million as compared to \$32.4 million in 2011-12 primarily the result of decreases in licenses and permits.

General Fund expenditures decreased \$1.1 million to \$26.7 million in 2012-13 primarily as a result of the decrease in planning and building and police expenditures.

**Housing Assets Funds** – This fund accounts for the Housing Assets of the City of Emeryville as Successor Agency to the former Emeryville Redevelopment Agency. Total revenues were \$.6 million in 2012-13. Expenditures were \$1.5 million in 2012-13.

**General Capital Improvements Fund** – This fund accounts for capital projects and improvements funded mainly with general revenues. Total revenues were \$4.8 million in 2012-13, which includes seventy-five (75%) of the residual property tax received by the City due to the dissolution of former redevelopment, in accordance with a newly adopted City policy. Expenditures were \$.1 million in 2012-13.

#### **Enterprise Fund**

The City operates the Sewer Enterprise Fund, its only Business-type Activity. The Sewer Fund uses another agency to treat wastewater. Expenses are paid from customer service charges. In fiscal 2012-13, net position of \$10.2 million increased by \$.3 million compared to prior year. Sewer Enterprise revenues may vary from year to year due to the level of new development which affects connection fee revenue.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Revisions to the General Fund original and final amended budget resulted in a slight increase in budgeted revenues and transfers in of \$1.4 million, and an increase in appropriations and transfers out of \$2.8 million. The increases in appropriations were primarily a result of \$1.8 million in transfers out to the General Capital Improvement Fund for debt services payments.

Overall, General Fund revenues performed better than expectations, exceeding budgeted revenues by \$1.0 million. Actual tax revenue performed better than revised expectations; sales tax receipts were 4% or \$0.3 million higher than expectations, transient occupancy taxes were \$0.3 million higher than expectations, and business license tax was \$.2 million above budget. Licenses and permits were also 12% or \$0.2 million above projections. Expenditures were \$1.1 million lower than budget as savings were achieved in most City departments.

The Council adopted a policy to maintain an unassigned fund balance in the General Fund of at least 25 percent of annual budgeted operating expenditures with a goal of 50 percent. At the end of each fiscal year, an analysis is prepared of the City's outstanding unfunded liabilities and capital projects and transfers are then approved to fund these obligations while maintaining a minimum fund balance of 25 percent.

**CAPITAL ASSETS**

GASB 34 requires the City to record all its capital assets including infrastructure. Infrastructure includes roads, bridges, signals and similar assets used by the entire population. The table below shows capital assets and the amount of accumulated depreciation for these assets as of June 30, 2013 for Governmental and Business-type Activities (further detail may be found in Note 7 to the financial statements).

<b>Capital Assets</b>		
<b>at Fiscal Year Ended June 30</b>		
<b>(\$ in millions)</b>		
	<b>2013</b>	<b>2012</b>
<b>Governmental Activities</b>		
<b>Capital Asset</b>		
Land and Construction in Progress	\$ 20.1	\$ 18.7
Park Improvements and other Improvements	17.8	17.3
Buildings and Improvements	39.5	38.7
Furnishings, Vehicles and Equipment	7.9	8.7
Marina Improvements	8.7	8.7
Grading, Curb & Gutter, Sidewalks & Driveways	33.8	33.8
Less Accumulated Depreciation	(52.6)	(50.3)
<b>Total Governmental</b>	<u>\$ 75.2</u>	<u>\$ 75.6</u>
 <b>Business-Type Activities (Sewer)</b>		
Construction in progress	\$ -	\$ 3.1
Automobile and Equipment	-	-
Improvements	7.0	4.0
Less Accumulated Depreciation	(1.4)	(1.4)
<b>Total Business-Type</b>	<u>\$ 5.6</u>	<u>\$ 5.7</u>

Governmental Activities capital assets net of depreciation decreased \$.4 million compared to fiscal year 2011-12. Business-type Activities capital assets decreased \$.1 million.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets and depreciable lives may be found in Note 7.



## **DEBT ADMINISTRATION**

Each of the City's debt issues is discussed in detail in Note 8 and Note 17e to the financial statements. At June 30, 2013, the City's debt is as follows:

<b>Long-Term Debt</b>		
<b>at Fiscal Year Ended June 30</b>		
<b>(\$ in millions)</b>		
	<b>2013</b>	<b>2012</b>
<b><u>Government Activity Debt:</u></b>		
City Obligations:		
Public Financing Authority Lease Revenue Bonds		
1998 Series A, 3.80% - 5.00%, due 5/01/28	4.7	5.0
Compensated Absences	2.8	4.3
Claims and Judgments	1.7	1.4
<b>Total City Obligations</b>	<b>9.2</b>	<b>10.7</b>
<b>Total Governmental Activity Debt</b>	<b>9.2</b>	<b>10.7</b>

The former redevelopment agency long-term debt has been transferred to the Emeryville Successor Agency private-purpose trust fund as of February 1, 2012. All interest and principal payments due on these bonds are paid by the redevelopment property tax trust fund monies in accordance with the bond covenants and the former redevelopment dissolution laws AB 1X 26 and AB 1484. See Note 17 of the financial statements.

## **ECONOMIC OUTLOOK**

The economy of the City is discussed in the accompanying Transmittal Letter and in this Discussion and Analysis.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Division in the Administrative Services Department, at 1333 Park Avenue, Emeryville, California. This report and other financial reports can be viewed on the City of Emeryville website at: [www.emeryville.org](http://www.emeryville.org).

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## **CITY OF EMERYVILLE**

### **STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

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The Statement of Net Position and the Statement of Activities are required by Governmental Accounting Standards Board Statement No. 34 – Basic Financial Statements. Their purpose is to summarize the financial activities and financial position of the City and its component units including the Emeryville Public Financing Authority and Management of Emeryville Services Authority. The term “City” as used in these statements refers collectively to the City and its component units.

The statements are prepared on the same basis as is used by most businesses, which means they include all the City’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 the entire City’s transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City’s total assets and the City’s total liabilities, including all the City’s capital assets and all its long-term debt. The Statement of Net Position presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City’s net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of the entire City’s Governmental Activities in a single column, and the financial position of the entire City’s Business-Type Activities in a single column; these are followed by a total column, which presents the financial position of the entire City.

The City’s Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City’s Internal Service Funds service these funds, their activities are consolidated with Governmental Activities, after eliminating interfund transactions and balances. The City’s Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City’s net position. It is also prepared on the full accrual basis, which means it includes all the City’s revenues and all its expenses, regardless of when cash changes hands. This differs from the “modified accrual” basis used in the fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City’s expenses first, listed by program, and follows these with the expenses of its business-type activities. 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 governmental and business-type program. The City’s general revenues are then listed in the Governmental Activities or Business-Type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

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CITY OF EMERYVILLE

STATEMENT OF NET POSITION  
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 78,621,344	\$ 4,473,195	\$ 83,094,539
Receivables:			
Accounts	1,504,257	147,872	1,652,129
Taxes	2,581,200	-	2,581,200
Notes and loans	20,462,916	-	20,462,916
Accrued interest	28,162	1,257	29,419
Prepaid costs	481,360	-	481,360
Due from other governments	10,611	-	10,611
Land held for resale	10,157,017	-	10,157,017
Restricted assets:			
Cash with fiscal agent	510,899	-	510,899
Due from Successor Agency	10,011,641	-	10,011,641
Net pension asset	352,712	-	352,712
Net other post employment benefits asset	1,696,566	-	1,696,566
Capital assets not being depreciated	20,136,527	-	20,136,527
Capital assets, net of depreciation	55,039,719	5,621,688	60,661,407
<b>Total Assets</b>	<b>201,594,931</b>	<b>10,244,012</b>	<b>211,838,943</b>
<b>Liabilities:</b>			
Accounts payable	3,813,879	34,172	3,848,051
Accrued liabilities	276,551	-	276,551
Accrued interest	38,684	-	38,684
Unearned revenue	328,430	-	328,430
Deposits payable	318,835	-	318,835
Noncurrent liabilities:			
Due within one year	2,812,810	-	2,812,810
Due in more than one year	6,412,508	-	6,412,508
<b>Total Liabilities</b>	<b>14,001,697</b>	<b>34,172</b>	<b>14,035,869</b>
<b>Net Position:</b>			
Net investment in capital assets	70,942,145	5,621,688	76,563,833
Restricted for:			
Community development projects	4,967,500	-	4,967,500
Public safety	126,949	-	126,949
Public works	1,130,746	-	1,130,746
Capital projects	17,806,440	4,061,654	21,868,094
Debt service	517,284	-	517,284
Small business incentive	100,000	-	100,000
Community services	198,528	-	198,528
Unrestricted	91,803,642	526,498	92,330,140
<b>Total Net Position</b>	<b>\$ 187,593,234</b>	<b>\$ 10,209,840</b>	<b>\$ 197,803,074</b>

CITY OF EMERYVILLE

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Primary Government:</b>				
Governmental Activities:				
City council	\$ 135,680	\$ -	\$ 17,400	\$ -
City manager	735,876	-	-	-
City attorney	611,437	-	-	-
Finance	927,811	614,135	-	-
Human resources	484,534	-	-	-
Planning & building	2,029,904	1,354,010	63,531	-
Economic development	851,573	-	3,883,993	-
Redevelopment	13,217	-	666,520	-
Non-departmental operations	6,112,564	1,017,830	19,232	-
Property based improvement district	2,595,430	2,599,561	1,062,818	-
Police	9,562,030	620,840	308,497	-
Fire	5,756,509	339,813	311,934	-
Public works	7,740,917	-	364,800	462,268
Community services	528,468	9,311	-	-
Child development	1,636,046	1,082,712	690,649	-
Youth services	690,136	206,356	22,723	-
Adult services	513,434	-	32,431	-
Information technology	414,117	-	-	-
Interest on long-term debt	254,261	-	-	-
<b>Total Governmental Activities</b>	<b>41,593,944</b>	<b>7,844,568</b>	<b>7,444,528</b>	<b>462,268</b>
Business-Type Activities:				
Sewer	683,694	1,164,788	-	-
<b>Total Business-Type Activities</b>	<b>683,694</b>	<b>1,164,788</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 42,277,638</b>	<b>\$ 9,009,356</b>	<b>\$ 7,444,528</b>	<b>\$ 462,268</b>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Utility users tax

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

**Extraordinary gain/(loss)**

**Transfers**

**Total General Revenues, Extraordinary items and Transfers**

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

**Net Position at End of Year**

**Net (Expenses) Revenues and Changes in Net Position**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (118,280)	\$ -	\$ (118,280)
(735,876)	-	(735,876)
(611,437)	-	(611,437)
(313,676)	-	(313,676)
(484,534)	-	(484,534)
(612,363)	-	(612,363)
3,032,420	-	3,032,420
653,303	-	653,303
(5,075,502)	-	(5,075,502)
1,066,949	-	1,066,949
(8,632,693)	-	(8,632,693)
(5,104,762)	-	(5,104,762)
(6,913,849)	-	(6,913,849)
(519,157)	-	(519,157)
137,315	-	137,315
(461,057)	-	(461,057)
(481,003)	-	(481,003)
(414,117)	-	(414,117)
(254,261)	-	(254,261)
<b>(25,842,580)</b>	<b>-</b>	<b>(25,842,580)</b>
-	481,094	481,094
-	<b>481,094</b>	<b>481,094</b>
<b>(25,842,580)</b>	<b>481,094</b>	<b>(25,361,486)</b>
8,582,917	-	8,582,917
4,851,768	-	4,851,768
7,513,925	-	7,513,925
1,325,775	-	1,325,775
7,321,687	-	7,321,687
2,929,803	-	2,929,803
151,108	-	151,108
630,599	-	630,599
399,545	27,102	426,647
459,536	-	459,536
1,465,064	-	1,465,064
81,500	(81,500)	-
<b>35,713,227</b>	<b>(54,398)</b>	<b>35,658,829</b>
9,870,647	426,696	10,297,343
180,215,867	9,783,144	189,999,011
(2,493,280)	-	(2,493,280)
<b>\$ 187,593,234</b>	<b>\$ 10,209,840</b>	<b>\$ 197,803,074</b>



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## CITY OF EMERYVILLE

### FUND FINANCIAL STATEMENTS

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The Fund Financial Statements are formatted so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between fund types and the practice of combining like funds.

The funds described below were determined to be major funds by the City for fiscal year 2013. Individual non-major funds may be found in the supplemental section.

The **General Fund** is the general operating fund of the City and accounts for all financial resources except those required to be accounted for in another fund. The major revenues to the General Fund are taxes (property, sales, business licenses, utility users and transient occupancy), which comprise approximately 70%-80% of the fund's annual revenue stream. The major expenditure of the General Fund is Public Safety (police and fire), which accounts for more than half of the fund's annual expenditure stream.

The **Housing Assets Fund** accounts for the assets transferred from the Low and Moderate Income Housing Fund (LMIHF) to the City as Housing Successor. The Fund includes loans and notes receivable, rents and payments on these receivables after February 1, 2012, and amounts due to the LMIHF, including the SERAF loans. All monies in the Housing Assets Fund must be used in accordance with the applicable housing-related provisions of the Community Redevelopment Law.

The **General Capital Improvement Fund** accounts for general capital projects. The Fund includes expenditures related to improvements to buildings, equipment, infrastructure and other systems, such as storm drains, sidewalks, etc. The main source of funding for these costs comes from general revenues transferred from the General Fund. Beginning in fiscal year 2012-13 this Fund also receives a portion of the residual property taxes distributed to the City as a result of the dissolution of redevelopment which occurred February 1, 2012.

CITY OF EMERYVILLE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

		<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
	<u>General</u>	<u>Housing Assets</u>	<u>General Capital Improvements</u>
<b>Assets:</b>			
Pooled cash and investments	\$ 23,711,899	\$ 411,417	\$ 13,820,731
Receivables:			
Accounts	792,500	1,663	-
Taxes	2,453,309	-	-
Notes and loans	-	16,803,604	-
Accrued interest	11,734	-	2,772
Prepaid costs	448,058	-	-
Due from other governments	-	-	-
Advances to other funds	3,302,270	-	-
Land held for resale	8,354,747	1,802,270	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Due from Successor Agency	-	9,033,600	-
<b>Total Assets</b>	<b><u>\$ 39,074,517</u></b>	<b><u>\$ 28,052,554</u></b>	<b><u>\$ 13,823,503</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,859,404	\$ 2,430	\$ 6,357
Accrued liabilities	276,551	-	-
Unearned revenues	-	-	-
Deposits payable	74,259	-	-
Advances from other funds	-	3,302,270	-
<b>Total Liabilities</b>	<b><u>2,210,214</u></b>	<b><u>3,304,700</u></b>	<b><u>6,357</u></b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	2,078,186	16,803,604	-
<b>Total Deferred Inflows of Resources</b>	<b><u>2,078,186</u></b>	<b><u>16,803,604</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid costs	448,058	-	-
Land held for resale	8,354,747	1,802,270	-
Advances to other funds	3,302,270	-	-
Due from Successor Agency	-	9,033,600	-
<b>Restricted for:</b>			
Community development projects	-	-	-
Public safety	-	-	-
Public works	-	-	-
Capital projects	-	-	13,817,146
Debt service	-	-	-
Small business incentive	100,000	-	-
Community services	-	-	-
<b>Committed to:</b>			
Facility maintenance	-	-	-
Vehicle replacement	-	-	-
Information technology	-	-	-
Economic uncertainty	5,457,272	-	-
PERS liability	5,124,791	-	-
Economic development	380,567	-	-
<b>Assigned to:</b>			
Earthquake Insurance	1,320,228	-	-
<b>Unassigned</b>	<b>10,298,184</b>	<b>(2,891,620)</b>	<b>-</b>
<b>Total Fund Balances</b>	<b><u>34,786,117</u></b>	<b><u>7,944,250</u></b>	<b><u>13,817,146</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 39,074,517</u></b>	<b><u>\$ 28,052,554</u></b>	<b><u>\$ 13,823,503</u></b>

CITY OF EMERYVILLE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Pooled cash and investments	\$ 25,589,886	\$ 63,533,933
Receivables:		
Accounts	625,049	1,419,212
Taxes	127,891	2,581,200
Notes and loans	3,659,312	20,462,916
Accrued interest	9,414	23,920
Prepaid costs	2,515	450,573
Due from other governments	10,611	10,611
Advances to other funds	-	3,302,270
Land held for resale	-	10,157,017
Restricted assets:		
Cash and investments with fiscal agents	510,899	510,899
Due from Successor Agency	978,041	10,011,641
<b>Total Assets</b>	<b>\$ 31,513,618</b>	<b>\$ 112,464,192</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,842,640	\$ 3,710,831
Accrued liabilities	-	276,551
Unearned revenues	250,000	250,000
Deposits payable	244,576	318,835
Advances from other funds	-	3,302,270
<b>Total Liabilities</b>	<b>2,337,216</b>	<b>7,858,487</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenues	4,070,206	22,951,996
<b>Total Deferred Inflows of Resources</b>	<b>4,070,206</b>	<b>22,951,996</b>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Prepaid costs	2,515	450,573
Land held for resale	-	10,157,017
Advances to other funds	-	3,302,270
Due from Successor Agency	978,041	10,011,641
<b>Restricted for:</b>		
Community development projects	4,967,500	4,967,500
Public safety	126,949	126,949
Public works	1,130,746	1,130,746
Capital projects	3,989,294	17,806,440
Debt service	517,284	517,284
Small business incentive	-	100,000
Community services	198,528	198,528
<b>Committed to:</b>		
Facility maintenance	7,609,783	7,609,783
Vehicle replacement	4,731,046	4,731,046
Information technology	854,510	854,510
Economic uncertainty	-	5,457,272
PERS liability	-	5,124,791
Economic development	-	380,567
<b>Assigned to:</b>		
Earthquake Insurance	-	1,320,228
<b>Unassigned</b>	-	7,406,564
<b>Total Fund Balances</b>	<b>25,106,196</b>	<b>81,653,709</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 31,513,618</b>	<b>\$ 112,464,192</b>

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CITY OF EMERYVILLE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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Fund balances of governmental funds	\$ 81,653,709
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	75,176,246
Long-term debt and compensated absences that have not been included in the governmental fund activity: Long-term liabilities - Lease Revenue Bonds	(4,745,000)
Net pension asset and net other post retirement benefits asset relate to the prepayment of unfunded obligation, which are recorded as expenditures in the governmental funds statements when made, but these prepayments are amortized over their respective actuarial amortization period in the government-wide statements.	2,049,278
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.	(38,684)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	22,951,996
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.	<u>10,545,689</u>
<b>Net Position of governmental activities</b>	<b><u><u>\$ 187,593,234</u></u></b>

CITY OF EMERYVILLE

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

		Special Revenue Funds	Capital Projects Funds
	General	Housing Assets	General Capital Improvements
<b>Revenues:</b>			
Taxes	\$ 26,217,157	\$ -	\$ 4,796,832
Licenses and permits	1,927,003	-	-
Intergovernmental	1,209,939	-	-
Contribution from property owners	-	-	-
Charges for services	844,978	-	-
Use of money and property	(735,811)	167,545	47,643
Rents	376,208	-	-
Contributions	64,859	-	-
Miscellaneous	1,252,174	406,520	-
<b>Total Revenues</b>	<b>31,156,507</b>	<b>574,065</b>	<b>4,844,475</b>
<b>Expenditures:</b>			
Current:			
City council	135,680	-	-
City manager	735,876	-	-
City attorney	611,437	-	-
Finance	927,811	-	-
Human resources	484,534	-	-
Planning and building	1,831,905	-	-
Economic development	783,639	-	-
Redevelopment	-	13,217	-
Non-departmental operations	1,360,377	1,500,000	71,910
Property based improvement district	-	-	-
Police	9,404,759	-	-
Fire	5,574,559	-	-
Public works	2,714,667	-	-
Community services	528,468	-	-
Child development	-	-	-
Youth services	690,136	-	-
Adult services	513,434	-	-
Information technology	414,117	-	-
Capital outlay	15,161	-	8,617
Debt service:			
Principal retirement	17,182	-	-
Interest and fiscal charges	-	9,714	-
<b>Total Expenditures</b>	<b>26,743,742</b>	<b>1,522,931</b>	<b>80,527</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,412,765	(948,866)	4,763,948
<b>Other Financing Sources (Uses):</b>			
Transfers in	343,500	-	1,880,670
Transfers out	(3,973,735)	-	-
Proceeds from sale of capital asset	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(3,630,235)</b>	<b>-</b>	<b>1,880,670</b>
Net Change in Fund Balances	782,530	(948,866)	6,644,618
Fund Balances, Beginning of Year, as previously reported	36,146,867	9,243,116	7,172,528
Restatements	(2,143,280)	(350,000)	-
Fund Balances, Beginning of Year, as restated	34,003,587	8,893,116	7,172,528
<b>Fund Balances, End of Year</b>	<b>\$ 34,786,117</b>	<b>\$ 7,944,250</b>	<b>\$ 13,817,146</b>



CITY OF EMERYVILLE

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>		
Taxes	\$ 4,362,463	\$ 35,376,452
Licenses and permits	687,806	2,614,809
Intergovernmental	1,894,216	3,104,155
Contribution from property owners	50,000	50,000
Charges for services	1,188,777	2,033,755
Use of money and property	156,540	(364,083)
Rents	289,074	665,282
Contributions	-	64,859
Miscellaneous	1,233,353	2,892,047
<b>Total Revenues</b>	<b>9,862,229</b>	<b>46,437,276</b>
<b>Expenditures:</b>		
Current:		
City council	-	135,680
City manager	-	735,876
City attorney	-	611,437
Finance	-	927,811
Human resources	-	484,534
Planning and building	197,999	2,029,904
Economic development	67,934	851,573
Redevelopment	-	13,217
Non-departmental operations	2,255,404	5,187,691
Property based improvement district	2,595,430	2,595,430
Police	157,271	9,562,030
Fire	181,950	5,756,509
Public works	1,488,506	4,203,173
Community services	-	528,468
Child development	1,636,046	1,636,046
Youth services	-	690,136
Adult services	-	513,434
Information technology	-	414,117
Capital outlay	1,545,293	1,569,071
Debt service:		
Principal retirement	210,000	227,182
Interest and fiscal charges	247,226	256,940
<b>Total Expenditures</b>	<b>10,583,059</b>	<b>38,930,259</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(720,830)	7,507,017
<b>Other Financing Sources (Uses):</b>		
Transfers in	1,893,065	4,117,235
Transfers out	(292,000)	(4,265,735)
Proceeds from sale of capital asset	21,198	21,198
<b>Total Other Financing Sources (Uses)</b>	<b>1,622,263</b>	<b>(127,302)</b>
Net Change in Fund Balances	901,433	7,379,715
Fund Balances, Beginning of Year, as previously reported	24,204,763	76,767,274
Restatements	-	(2,493,280)
Fund Balances, Beginning of Year, as restated	24,204,763	74,273,994
<b>Fund Balances, End of Year</b>	<b>\$ 25,106,196</b>	<b>\$ 81,653,709</b>

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**CITY OF EMERYVILLE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

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Net change in fund balances - total governmental funds		\$ 7,379,715
Amounts reported for governmental activities in the statement of activities are different because:		
Net pension assets and net other post retirement benefits assets relate to payment of the unfunded obligation, which are recorded as expenditures in the governmental funds statements when made, but these prepayments are amortized over their respective actuarial amortization period in the government-wide statements.		198,193
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	\$ 1,656,970	
Depreciation	(3,541,316)	
Extraordinary gain on assets transferred from Successor Agency	1,465,064	
Loss on sale of capital assets	<u>(21,198)</u>	(440,480)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments - Lease Revenue Bonds	210,000	
Principal repayments - Capital Lease	<u>17,182</u>	227,182
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.		2,679
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		3,382,405
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.		<u>(879,047)</u>
<b>Change in net position of governmental activities</b>		<b><u><u>\$ 9,870,647</u></u></b>

CITY OF EMERYVILLE

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1, as restated	\$ 34,003,587	\$ 34,003,587	\$ 34,003,587	\$ -
<b>Resources (Inflows):</b>				
Taxes	23,723,400	24,953,967	26,217,157	1,263,190
Licenses and permits	1,226,700	1,726,700	1,927,003	200,303
Intergovernmental	1,176,500	1,176,500	1,209,939	33,439
Charges for services	1,181,900	881,900	844,978	(36,922)
Use of money and property	215,200	215,200	(735,811)	(951,011)
Rents	339,900	339,900	376,208	36,308
Contributions	13,900	16,400	64,859	48,459
Miscellaneous	874,700	874,700	1,252,174	377,474
Transfers in	343,500	343,500	343,500	-
<b>Amounts Available for Appropriation</b>	<b>63,099,287</b>	<b>64,532,354</b>	<b>65,503,594</b>	<b>971,240</b>
<b>Charges to Appropriation (Outflow):</b>				
General government				
City Council	144,000	144,000	135,680	8,320
City Manager	801,200	811,819	735,876	75,943
City Attorney	479,200	479,200	611,437	(132,237)
Finance	931,400	958,281	927,811	30,470
Human Resources	532,900	532,900	484,534	48,366
Non-departmental Operations	1,614,900	1,620,500	1,360,377	260,123
Information Technology	417,800	417,800	414,117	3,683
Public safety				
Police	9,958,500	9,973,300	9,404,759	568,541
Fire	5,453,400	5,470,860	5,574,559	(103,699)
Community development				
Planning and Building	1,691,300	1,699,800	1,831,905	(132,105)
Economic Development	813,800	881,396	783,639	97,757
Community Services	678,300	678,300	528,468	149,832
Parks and recreation				
Recreation	766,000	766,000	690,136	75,864
Senior Center	685,400	673,340	513,434	159,906
Public works				
Public Works	2,712,200	2,751,320	2,714,667	36,653
Capital outlay	-	-	15,161	(15,161)
Debt service:				
Principal retirement	-	-	17,182	(17,182)
Transfers out	1,275,400	3,946,070	3,973,735	(27,665)
<b>Total Charges to Appropriations</b>	<b>28,955,700</b>	<b>31,804,886</b>	<b>30,717,477</b>	<b>1,087,409</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 34,143,587</b>	<b>\$ 32,727,468</b>	<b>\$ 34,786,117</b>	<b>\$ 2,058,649</b>

CITY OF EMERYVILLE

**BUDGETARY COMPARISON STATEMENT  
HOUSING ASSETS  
YEAR ENDED JUNE 30, 2013**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1, as restated	\$ 8,893,116	\$ 8,893,116	\$ 8,893,116	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	167,545	167,545
Miscellaneous	-	-	406,520	406,520
<b>Amounts Available for Appropriation</b>	<b>8,893,116</b>	<b>8,893,116</b>	<b>9,467,181</b>	<b>574,065</b>
<b>Charges to Appropriation (Outflow):</b>				
Non-departmental operations	-	-	1,500,000	(1,500,000)
Redevelopment	-	24,000	13,217	10,783
Debt service:				
Interest and fiscal charges	-	1,802,270	9,714	1,792,556
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>1,826,270</b>	<b>1,522,931</b>	<b>303,339</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 8,893,116</b>	<b>\$ 7,066,846</b>	<b>\$ 7,944,250</b>	<b>\$ 877,404</b>

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## CITY OF EMERYVILLE

### PROPRIETY FUNDS STATEMENTS

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Proprietary Funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of *major funds* established by GASB Statement No. 34 extends to Proprietary Funds. The City has only one enterprise fund, the Sewer Fund, which is described below:

GASB Statement No. 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

The **Sewer Fund** accounts for the operation and maintenance of the City sewer system. The fund is supported by Sewer Service Charges billed through water usage bills and connection fees.

The **Internal Service Funds** account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost-sharing basis.



CITY OF EMERYVILLE

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2013

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer</b>	
<b>Assets:</b>		
Current:		
Cash and investments	\$ 4,473,195	\$ 15,087,411
Receivables:		
Accounts	147,872	85,045
Accrued interest	1,257	4,242
Prepaid costs	-	30,787
<b>Total Current Assets</b>	<b>4,622,324</b>	<b>15,207,485</b>
Noncurrent:		
Capital assets - net of accumulated depreciation	5,621,688	-
<b>Total Noncurrent Assets</b>	<b>5,621,688</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 10,244,012</b>	<b>\$ 15,207,485</b>
<b>Liabilities and Net Position:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 34,172	\$ 103,048
Unearned revenues	-	78,430
Accrued compensated absences	-	1,442,130
Accrued claims and judgments	-	971,923
<b>Total Current Liabilities</b>	<b>34,172</b>	<b>2,595,531</b>
Noncurrent:		
Accrued compensated absences	-	1,322,526
Accrued claims and judgments	-	743,740
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>2,066,266</b>
<b>Total Liabilities</b>	<b>34,172</b>	<b>4,661,797</b>
<b>Net Position:</b>		
Net investment in capital assets	5,621,688	-
Restricted for capital projects	4,061,654	-
Unrestricted	526,498	10,545,688
<b>Total Net Position</b>	<b>10,209,840</b>	<b>10,545,688</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 10,244,012</b>	<b>\$ 15,207,485</b>

CITY OF EMERYVILLE

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer</b>	
<b>Operating Revenues:</b>		
Service charges	\$ 1,164,788	\$ 9,249,822
<b>Total Operating Revenues</b>	<b>1,164,788</b>	<b>9,249,822</b>
<b>Operating Expenses:</b>		
Administration and general	509,896	9,264,995
Cost of sales and services	110,038	-
Claims expense	-	1,192,221
Depreciation expense	63,046	-
<b>Total Operating Expenses</b>	<b>682,980</b>	<b>10,457,216</b>
Operating Income (Loss)	481,808	(1,207,394)
<b>Nonoperating Revenues (Expenses):</b>		
Interest revenue	27,102	98,346
Interest expense	(714)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>26,388</b>	<b>98,346</b>
Income (Loss) Before Transfers	508,196	(1,109,048)
Transfers in	-	230,000
Transfers out	(81,500)	-
Changes in Net Position	426,696	(879,048)
<b>Net Position:</b>		
Beginning of Year	9,783,144	11,424,736
<b>End of Fiscal Year</b>	<b>\$ 10,209,840</b>	<b>\$ 10,545,688</b>

CITY OF EMERYVILLE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2013

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer</b>	
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 1,158,854	\$ 9,276,937
Cash paid to suppliers for goods and services	(129,170)	(153,850)
Cash paid to employees for services	(509,896)	(10,822,611)
Cash received from (payments to) others	-	(876,090)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>519,788</b>	<b>(2,575,614)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash transfers	(81,500)	230,000
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(81,500)</b>	<b>230,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal paid on capital debt	(23,805)	-
Interest paid on capital debt	(714)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(24,519)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	27,568	100,962
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>27,568</b>	<b>100,962</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>441,337</b>	<b>(2,244,652)</b>
Cash and Cash Equivalents at Beginning of Year	4,031,858	17,332,063
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 4,473,195</b>	<b>\$ 15,087,411</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 481,808	\$ (1,207,394)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	63,046	-
(Increase) decrease in accounts receivable	(5,934)	(51,315)
(Increase) decrease in prepaid expense	-	(30,787)
Increase (decrease) in accounts payable	(19,132)	(123,063)
Increase (decrease) in deferred revenue	-	78,430
Increase (decrease) in claims and judgments	-	316,131
Increase (decrease) in compensated absences	-	(1,557,616)
<b>Total Adjustments</b>	<b>37,980</b>	<b>(1,368,220)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 519,788</b>	<b>\$ (2,575,614)</b>

## CITY OF EMERYVILLE

### **FIDUCIARY FUNDS STATEMENTS**

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Fiduciary Funds include all Trust and Agency funds, which account for assets held by the City as a trustee or agent for individuals, other governmental units and/or other funds.

The **Agency Funds** account for receipt of special assessments and the payment of principal, interest and bond administration costs on Assessment District Bonds. These funds are treated as Agency Funds to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. These funds are separate and unrelated to the Development Commission of Emeryville funds.

The **Pension Trust Fund** was established to support the liability for pension stipends for remaining retirees under the City's old Pension Plan (see Note 10b).

The **Private Purpose Trust Fund** was established to account for the assets and liabilities of the City of Emeryville as Successor Agency to the former Emeryville Redevelopment Agency per the Redevelopment dissolution laws AB 1X 26 and AB 1484. The Fund is allocated revenue (previously known as property tax increment revenue) to pay estimated payments of the enforceable obligations as approved by the State Department of Finance, until obligations of the former Redevelopment Agency are paid in full and assets have been liquidated. The Fund also receives certain payments for leases and notes that are payable to the former Redevelopment Agency.

CITY OF EMERYVILLE

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	Agency Funds	Pension Trust Fund	Private- Purpose Trust Fund Successor Agency of the Former RDA
<b>Assets:</b>			
Pooled cash and investments	\$ 2,948,050	\$ 382,755	\$ 71,923,450
Receivables:			
Accounts	8,007	-	190,544
Notes and loans	-	-	22,583,414
Accrued interest	18,756	107	25,958
Land held for resale	-	-	21,467,025
Restricted assets:			
Cash and investments with fiscal agents	971,545	-	14,259,242
Capital assets:			
Capital assets, not being depreciated	-	-	10,628,200
Capital assets, net of accumulated depreciation	-	-	4,286,703
<b>Total Assets</b>	<b><u>\$ 3,946,358</u></b>	<b><u>382,862</u></b>	<b><u>145,364,536</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ -	-	504,048
Accrued interest	-	-	2,546,874
Unearned revenues	-	-	50,000
Deposits payable	-	-	10,000
Due to bondholders	3,946,358	-	-
Long-term liabilities:			
Due in one year	-	-	6,630,000
Due in more than one year	-	-	155,370,570
<b>Total Liabilities</b>	<b><u>\$ 3,946,358</u></b>	<b><u>-</u></b>	<b><u>165,111,492</u></b>
<b>Net Position:</b>			
Held in trust for pension		382,862	-
Held in trust for other purposes		-	(19,746,956)
<b>Total Net Position</b>		<b><u>\$ 382,862</u></b>	<b><u>\$ (19,746,956)</u></b>

CITY OF EMERYVILLE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Fund</u>	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
	<u>Pension Trust Fund</u>	<u>Agency of the Former RDA</u>
<b>Additions:</b>		
Taxes	\$ -	\$ 15,866,584
Interest and change in fair value of investments	2,458	660,156
Miscellaneous	-	1,409,730
<b>Total Additions</b>	<b><u>2,458</u></b>	<b><u>17,936,470</u></b>
<b>Deductions:</b>		
Benefits	29,974	-
Administrative expenses	-	2,381,162
Contractual services	-	209,415
Interest expense	-	9,203,190
Depreciation expense	-	285,516
Reimbursement of prior taxes to County	-	18,388,838
<b>Total Deductions</b>	<b><u>29,974</u></b>	<b><u>30,468,121</u></b>
Extraordinary gain/(loss)	-	(1,465,064)
<b>Changes in Net Position</b>	<b>(27,516)</b>	<b>(13,996,715)</b>
Net Position - Beginning of the Year (restated)	<u>410,378</u>	<u>(5,750,241)</u>
<b>Net Position - End of the Year</b>	<b><u>\$ 382,862</u></b>	<b><u>\$ (19,746,956)</u></b>

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**NOTES TO FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 1: Organization and Summary of Significant Accounting Policies**

The City of Emeryville, California, was incorporated as a general law city in 1896. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire); public works; community services such as adult services, child development and youth services; building; planning; economic development; and general administrative services.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

**a. Reporting Entity**

The financial statements of the City of Emeryville (City) include the financial activities of the City, which is the primary government, as well as the Community Development Commission of Emeryville (the Commission), the Emeryville Public Financing Authority (Authority) and the Management of Emeryville Services Authority (MESA). All of these entities are controlled by and are dependent on the City. While these are separate legal entities, City Council serves in separate sessions as their governing body, and their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements.

The Community Development Commission of Emeryville (Commission) is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation and development of certain areas within the City. The Commission was formed in June 2011, in response to the Governor's proposed State budget and enabling legislation that calls for the elimination of redevelopment agencies. The City Council and former Redevelopment Agency board established the Commission to continue the City's economic development and affordable housing initiatives due to the State's action to dissolve redevelopment agencies, and to safeguard the City's general operations and bonding procedures that are currently conducted through joint exercise of power agreements between the City and former Redevelopment Agency. The Commission is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Commission. The financial activities of the Commission have been included in these financial statements in the Capital Projects Funds.

The Emeryville Public Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City and Commission. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in these financial statements in the Debt Service Funds.

The Management of Emeryville Services Authority is a separate government entity whose purpose is to provide more efficient and cost-effective services management, administrative, special or general services to the City, Commission and other governmental agencies.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of MESA are included in the MESA Internal Service Fund.

**b. Basis of Presentation**

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

**Government-Wide Statements:** The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City'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 operation of a particular program or service, and c) development fees and permits, all of which are capital grants under California law. 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 City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category governmental, proprietary and fiduciary are resented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column.

All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

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Note 1: Organization and Summary of Significant Accounting Policies (Continued)

c. Major Funds and Fund Types

Major funds are defined by GASB Statement 34 and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds that have assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures equal to 10% of their fund-type total and 5% of the grand total. The General Fund is always a major fund.

The City reported the following major governmental funds in the accompanying financial statements:

The **General Fund** is the general operating fund of the City and accounts for all financial resources except those required to be accounted for in another fund. The major revenues to the General Fund are taxes (property, sales, business licenses, utility users and transient occupancy), which comprise approximately 65%-75% of the fund's annual revenue stream. The major expenditure of the General Fund is Public Safety (police and fire), which accounts for more than half of the fund's annual expenditure stream.

The **Housing Assets Fund** is a special revenue fund created by the Redevelopment Dissolution Act (AB 1484) to account for the assets transferred from the Low and Moderate Income Housing Fund (LMIHF) to the City as the Housing Successor. The Fund includes loans and notes receivable, rents and payments on these receivables after February 1, 2012, and amounts due to the LMIHF, including the SERAF loans. All monies in the Housing Assets Fund must be used in accordance with the applicable housing-related provisions of the Community Redevelopment Law.

The **General Capital Improvements Fund** accounts for general capital projects, which include expenditures related to improvements to City Capital Assets. Source of funding comes from revenues transferred from the General Fund and a portion of the residual property taxes.

The City reported its enterprise fund as a major fund in the accompanying financial statements:

**Sewer Fund** - This fund accounts for the operation and maintenance of the City sewer system. The fund is supported by sewer service charges billed through water usage bills and connection fees.

The City also reports the following fund types:

**Special Revenue Funds** - These funds account for taxes and other revenues, which are set aside for a specific purpose in accordance with law or administrative regulation.

**Capital Projects Funds** - These funds account for financial resources used for the acquisition or construction of major capital facilities.

**Debt Service Funds** - These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest payments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**Internal Service Funds** - These funds account for the activities of the MESA, accrued leave, workers' compensation, litigation, dental and unemployment coverage, all of which are provided to other departments on a cost-sharing basis.

**Fiduciary Funds** - These funds account for assets held by the City as an agent or trustee for various assessment districts, retirees, and the City of Emeryville as Successor Agency to the Emeryville Redevelopment Agency.

The **Agency Funds** account for the receipt of special assessments and the payment of principal and interest and bond administration costs on Assessment District Bonds. These funds are treated as Agency Funds because there is no City liability for their repayment.

The **Pension Trust Fund** was established to support the liability for pension stipends for remaining retirees under the City's old Pension Plan.

The **Private-Purpose Trust Fund** was established to account for the assets and liabilities of the Successor Agency of the former redevelopment agency and is allocated revenue to pay estimated payments of the enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

**d. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide, proprietary and fiduciary fund 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 flows take place.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

For the Sewer Fund, revenues are recognized based on monthly receipts from East Bay Municipal Utility District (the entity that performs the billing service for the City's sanitary sewer charges). Revenues for services provided but not billed at the end of a fiscal period are not material and are not accrued.

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 City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end except for sales tax revenue which is 90 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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 from long-term debt and acquisitions under capital leases are reported as other financing sources.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

The proprietary, pension trust, and private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first 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.

**e. Assets, Liabilities, deferred outflows/inflows and Net Position or Equity**

**Cash and Investments**

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents including cash and investments with fiscal agents.

**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. The City's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding five years.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

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 the asset is fully depreciated. The City has assigned the useful lives and capitalization thresholds listed below to capital assets:

	<u>Years</u>	<u>Thresholds</u>
Park improvements and other improvements	20	\$ 50,000
Building and improvements	25 - 50	50,000
Furnishings, vehicles and equipment	3 - 20	5,000
Marina improvements	5 - 50	50,000
Grading, curb, gutter, sidewalks and driveways	10 - 50	50,000
Sewer equipment	5 - 20	5,000
Sewer improvements	65	50,000

Some capital assets may be acquired using federal and state grant funds or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

With the implementation of GASB Statement 34, the City recorded all current year expenditures for its public domain (infrastructure) capital assets, including grading, curb, gutter, sidewalk and driveways approaches, which it maintains. GASB 34 also requires the City to look back 20 years and estimate, depreciate and record prior year infrastructure costs. This retroactive restatement has been completed and the City's capital assets and net position were increased by the undepreciated balance of infrastructure.

**Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Prepaid Costs and Land Held for Resale

Prepaid items are payments to vendors, which reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land purchased for resale is capitalized as inventory at acquisition costs, plus the cost of environmental remediation clean-up or net realizable value, if lower.

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The noncurrent portion of receivables related to revenue is set up as deferred inflow of resources and recognized as revenue when the receivables become current. The noncurrent portion of loans and other receivables are offset by fund balance reserve accounts.

Property Taxes

Since the passage of Proposition 13, beginning with fiscal year 1979, general property taxes paid by property owners are based on a flat 1% rate applied either to the 1975 to 1976 full value of the property or on 1% of the sales price of the property on sales transactions or construction value after the 1975 to 1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year. The levy and lien date on secured property taxes is January 1. Secured property taxes are due to Alameda County from property owners on November 1 and March 1 and become delinquent on December 10 and April 10, respectively, each year.

The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law and remitting such amounts to the City.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days up to the equivalent of 50 days of vacation or twice the annual rate of accrual. Employees are entitled to compensation for 60% of accumulated sick leave up to 120 days upon termination. The cost of accumulated vacation and sick leave is recorded in the Accrued Benefits Internal Service Fund. Compensated absences are paid, if matured, out of the General Fund and the Child Development Fund.

Bond Discounts

Bond discounts of governmental fund types related to long-term debt issues are recorded as debt service expenditures in the year the debt is issued in the fund financial statements.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

New Accounting Principles Adopted

The City implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65, among other things, amends prior guidance with respect to the treatment of debt issuance costs. Debt issuance costs should be recognized in the period incurred rather than reported on the statement of net position as deferred

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

charges and recognized systematically over the life of the debt. The accounting changes of this statement should be applied retroactive and therefore the City has reported a restatement of beginning net position for the Private-Purpose Trust Fund for any unamortized debt issuance costs (deferred charges) previously reported on the statement of net position to conform.

Net Position and Fund Balances

Net Position

Net position is the excess of all the City's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement 34. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

**Net Investment in Capital Assets** describes the portion of net position that is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

**Restricted** describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws or other restrictions, which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, funds restricted to community development projects purposes and funds for use in sewer operations and sewer connection fees.

**Unrestricted** describes the portion of net position that is not restricted as to use.

Fund Balances

In the fund financial statements, City funds report the following fund balance classification in accordance with GASB Statement 54:

**Nonspendable** include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted** include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

**Committed** include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Minimum economic uncertainty reserve - the City shall maintain a minimum reserve of at least 15% of General Fund operating budget with a goal of 25%. Appropriations are to be reserved for emergencies and limited to one-time and or short-term (one or two fiscal years) use. Examples of such emergencies include, but are not limited to:

- Unplanned, major event such as a catastrophic disaster requiring expenditures over 5% of the General Fund adopted budget.
- Budgeted revenue taken by another government entity
- Drop in projected/actual revenue of more than 5% of the General Fund adopted revenue budget

The balance as of June 30, 2013, is \$5,457,272, or approximately 20% of the General Fund operating expenditures, and is included in the committed fund balance

**Assigned** include amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose, which was established by the governing body in a resolution.

**Unassigned** include the residual amounts that have not been restricted, committed, or assigned to specific purposes. Included in the unassigned balance in the General Fund are the following reserve amounts:

Minimum fund balance reserve – the City shall maintain a minimum fund balance of at least 25% of General Fund operating expenditures. This is considered the minimum level necessary to maintain the City's credit worthiness and to adequately provide for:

- Economic uncertainties, local disasters and other hardships or downturns in the local economy
- Contingencies for unforeseen operating or capital needs
- Cash flow requirements

The unassigned fund balance as of June 30, 2013, is \$10,298,184, which is in compliance with the 25% minimum of \$6,964,704.

The goal is to bring the total level of fund balance reserves, including the economic uncertainty amount, up to 50% of General Fund operating expenditures.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or Unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 2: Budgets and Budgetary Accounting**

**a. Budgeting Procedures**

The City operates under the general laws of the State of California and bi-annually adopts a budget for its governmental fund types to be effective July 1 for the ensuing fiscal years. From the effective date of the budget, which is adopted by City Council and controlled by the City Manager at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager may authorize transfers of appropriations from one object, purpose or department to another within the same fund provided the level of service stays the same. All appropriations lapse at year-end, except those relating to long-term capital projects. Supplemental appropriations were approved by the City Council during the year ended June 30, 2013, and are included in the final budget amounts presented in the basic financial statements.

**b. Budgetary Basis**

Bi-annual budgets are adopted on a basis consistent with generally accepted accounting principles. Budgets are not adopted for the following special revenue funds: Cal Home Loan Program, Source Reduction, Police Impound, Catellus Contingent, Traffic Congestion Relief, Homebuyer Program, HELP Housing, San Pablo Ave. Street Lighting, Affordable Housing. Budgets are not adopted for the following Capital Project Fund: East Baybridge Housing Trust Fund, 1999 Revenue Bond.

**c. Deficit Fund Balances or Net Position:**

The following fund had a deficit at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
Internal Service Funds:	
Dental Self-Insurance	\$ 2,977

The City's general fund will contribute to eliminate the deficit in this fund balance.

**d. Excess Expenditures**

For the year ended June 30, 2013, the following General Fund departments had expenditures in excess of budget:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
City Attorney	\$ 611,437	\$ 479,200	\$ 132,237
Fire	5,574,559	5,470,860	103,699
Planning and Building	1,831,905	1,699,800	132,105

Overall, the expenditures of the General Fund were within the total appropriated for the fiscal year.

CITY OF EMERYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

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**Note 3: Cash and Investments**

As of June 30, 2013, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	
Cash and investments	\$ 78,621,344
Restricted cash and investments	510,899
Business-type activities	
Cash and investments	4,473,195
Fiduciary funds	
Cash and investments	75,254,255
Restricted cash and investments	<u>15,230,787</u>
Total Cash and Investments	<u>\$ 174,090,480</u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2013, the carrying amount of the City's deposits was \$3,154,852 and the bank balance was \$4,711,169. The \$1,556,317 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure a City's deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an Agent of Depository has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository is considered to be held for, and in the name of, the local governmental agency.

Investments

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- Securities of the U.S. Government or its agencies
- Certificates of deposit placed with commercial banks and S&L's
- Commercial paper

## CITY OF EMERYVILLE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR FISCAL YEAR ENDED JUNE 30, 2013

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#### Note 3: Cash and Investments (Continued)

- Medium term corporate notes
- Passbook savings account demand deposits
- Money market mutual funds
- Government sponsored pools and/or mutual funds

#### Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

#### Investments in State Investment Pool

The City 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. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

#### GASB Statement No. 31

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for certain investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

#### Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "AA" or higher by a recognized rating service such as Standard and Poor's (S&P) or by Moody's. As of June 30, 2013, the City's Federal Agency investments were rated AA+ by S&P; investments in Guaranteed Investment Contracts (GIC) held with Morgan Stanley were rated Aaa by S&P and GIC's held with Westdeutsche Landes bank were rated A by S&P. As of June 30, 2013, the City's investments in money market mutual funds were rated AA+ by S&P and the City's investment in external investment pools, California Local Agency Investment Fund were unrated.

#### Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**Note 3: Cash and Investments (Continued)**

The City's investment policy does not address custodial credit risk. As of June 30, 2013, none of the City's deposits or investments was exposed to custodial credit risk.

**Concentration of Credit Risk**

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. As of June 30, 2013, in accordance with GASB Statement No. 40 requirements, the City is exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer. As of June 30, 2013, the City has invested \$19,596,940 (11.46%) in Federal Home Loan Bank investments and \$22,584,690 (13.21%) in Federal Farm Credit Bank investments. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

**Interest Rate Risk**

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that maturities cannot exceed five years without City Council approval. Investments with fiscal agents are subject to separate provisions as outlined in the related bond indentures. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2013, the City had the following investments and maturities:

	Investment Maturities (in Years)				Fair Value
	6 months or less	1 to 3 years	3 to 5 years	More than 5 years	
Federal Agency Securities	\$ -	\$ 1,006,140	\$ 47,011,350	\$ -	\$ 48,017,490
Certificates of Deposit	200,000	-	-	-	200,000
Money Market Mutual Funds	23,056,930	-	-	-	23,056,930
California Local Agency Investment Fund	83,919,480	-	-	-	83,919,480
Cash with Fiscal Agents:					
Money Market Mutual Funds	14,330,340	-	-	-	14,330,340
Guaranteed Investment Contracts	-	-	-	1,411,388	1,411,388
	<u>\$ 121,506,750</u>	<u>\$ 1,006,140</u>	<u>\$ 47,011,350</u>	<u>\$ 1,411,388</u>	<u>\$ 170,935,628</u>

**Note 4: Interfund Transfers**

Transfers In	Transfers Out			Total
	Governmental Activities		Business-Type Activities	
	General Fund	Nonmajor Governmental Funds	Sewer Fund	
Governmental-Type Funds:				
General Fund	\$ -	\$ 292,000	\$ 51,500	\$ 343,500
General Capital Improvement	1,880,670	-	-	1,880,670
Nonmajor Governmental Funds	1,893,065	-	-	1,893,065
Internal Service Funds	200,000	-	30,000	230,000
Total	<u>\$ 3,973,735</u>	<u>\$ 292,000</u>	<u>\$ 81,500</u>	<u>\$ 4,347,235</u>

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 4: Interfund Transfers (Continued)**

The General Fund received \$270,000 from the Special Gas Tax Fund, \$10,000 from the General Plan Maintenance Fund, \$51,500 from the Sewer Fund, and \$12,000 from other various non-major governmental funds for reimbursed administrative costs.

The General Fund transfers of \$1,880,670 to the General Capital Improvement Fund, and \$1,893,065 to various non-major funds, including \$1,000,000 to the Major Maintenance Fund, were the result of routine transactions to fund debt service payment, capital projects and administrative costs.

The Internal Service Funds received \$200,000 from the General Fund, and \$30,000 from the Sewer Fund to cover insurance and post-employment costs.

**Note 5: Due from Successor Agency**

<u>Due from Successor Agency</u>	<u>Due from Successor Agency</u>
Housing Assets Fund	\$ 9,033,600
Other Governmental Funds	<u>978,041</u>
Total	<u>\$ 10,011,641</u>

**“Supplemental” Educational Revenue Augmentation Fund (SERAF)**

On May 4, 2010, the City Council and former Redevelopment Agency passed a resolution approving an advance from the Combined Low and Moderate Income Housing Fund to the 1976 Project Area Capital Project Fund and Shellmound Project Area Capital Projects Fund for \$8,494,300 and \$2,797,700, respectively totaling \$11,292,000 for the purpose of providing funding to pay the County’s “Supplemental” Educational Revenue Augmentation Fund (SERAF) payment for 2010-2011. There is no repayment schedule, however State legislation requires it to be repaid by June 30, 2015, to avoid penalty. There were repayments totaling \$2,258,400 to repay one-fifth of this advance in prior years. The advance was transferred from the former Redevelopment Agency to the Successor Agency as of February 1, 2012, because of the dissolution of redevelopment, and will be repaid in accordance with approved recognized obligation payments schedule (ROPS). The receivable resides in the Housing Assets Fund. The ending balance of the advance as of June 30, 2013, is \$9,033,600.

**Park Avenue Park – CIERRA Loan**

The City Council and the former Redevelopment Agency authorized the execution of a Capital Incentives for Emeryville’s Redevelopment and Remediation (*CIERRA*) loan agreement for the remediation of the two-acre Park Avenue Park pursuant to the Park Avenue District Plan. The remediation was completed in 2008. The loan was for \$2.0 million and has a 5 percent per annum interest rate for five years. There is a balloon payment of \$2.5 million required at the end of the term. The loan can be repaid, penalty-free, at any time. The advance was transferred from the former Redevelopment Agency to the Successor Agency as of February 1, 2012, because of the dissolution, and will be repaid in accordance with approved recognized obligation payments schedule (ROPS). The receivable resides in the Housing Assets Fund. The balance at June 30, 2013 is \$766,898.

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 5: Due from Successor Agency (Continued)**

Doyle-Hollis Park – CIERRA Loan

On June 5, 2007, the former Redevelopment Agency approved the plans and specifications for the remediation of the former Dutro property, site of the future Doyle-Hollis Park bounded by Hollis Street, 61st Street, 62nd Street and Doyle Street.

To accomplish this, the City Council and the former Redevelopment Agency authorized the execution of a Capital Incentives for Emeryville’s Redevelopment and Remediation (*CIERRA*) loan agreement for the remediation of the former Dutro property for \$603,382. The loan bears interest at a rate of 2 percent per annum and was to be repaid in three annual installments of \$209,405 beginning May 2010. The advance was transferred from the former Redevelopment Agency to the Successor Agency as of February 1, 2012, because of the dissolution, and will be repaid in accordance with approved recognized obligation payments schedule (ROPS). The receivable resides in the Housing Assets Fund. The balance at June 30, 2013, is \$211,143.

**Note 6: Notes and Loans Receivable**

The City 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 City’s terms. Since the City does not expect to collect these loans in the near term, they have been offset by deferred revenue in the fund financial statements.

At June 30, 2013, the notes and loans receivable totaled:

<b>City of Emeryville:</b>	
First-Time Homebuyer	\$ 6,068,263
Ownership Housing Assistance	4,254,002
Rehab Assistance	210,791
Homeowner’s Association Assessment	125,498
Home Rehabilitation and Assistance	287,197
AIDS Housing Deferred	490,961
Artist’s Co-Op	459,425
Avalon Senior Housing, LP	2,582,766
Remar Lofts	250,000
Business Development	2,250,000
Gateway Housing Corp	35,492
Cal Home Loans	1,687,225
Help Housing Loan Program	1,324,568
Marinas International	436,728
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Total	<u><u>\$ 20,462,916</u></u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 6: Notes and Loans Receivable (Continued)**

**a. First-Time Homebuyer Loans**

The City's First-Time Homebuyer Program offers down payment assistance to low and moderate income first-time homebuyers purchasing a home in the City of Emeryville. The deferred loans bear interest at a rate that is 75% of the interest rate on the first mortgage, or 5%, whichever is less. The deferred loans require no monthly payments, are not due until the property is sold, transferred or rented and are collateralized by second deeds of trust.

The loans are forgiven if the buyer resides in the home for more than 30 years.

**b. Ownership Housing Assistance Loans**

The City's Ownership Housing Assistance Program offers down payment assistance to very low and low-income homebuyers purchasing a below-market-rate unit in the City of Emeryville. The deferred loans bear interest at 5%, require no monthly payments, are not due until the property is sold or transferred, are completely forgiven after 30 years, and are collateralized by subordinate deeds of trust.

**c. Rehab Assistance Loans**

The Economic Development and Housing Department administers a Cal Home and housing rehabilitation loan program using Community Development Block Grant funds. Under this program, individuals with income below a certain level are eligible to receive low interest, 15-year loans, secured by deeds of trust, for rehabilitation work on their homes. The loan repayments may be amortized over the life of the loans, deferred or a combination of both.

**d. Homeowner's Association Assessment Loan Program**

In February 2009, the City provided loans to owners of Below Market Rate (BMR) units and market rate units in the Oliver Lofts development. Loans to owners of market rate units are secured by trust deeds bear interest at 3.7% and are fully amortized over 20 years. Loans to BMR unit owners are partially or fully unsecured and may be deferred payment loans to meet debt-to-income ratio requirements. Deferred loans will be reassessed every five years and converted to amortized loans based on owners' ability to make payments. The BMR loans bear interest at 3.7% and are due in 20 years, with the exception that the deferred loans bear interest at a simple interest rate.

Assessment Loans to owners of market rate units in Emery Bay Village are secured by trust deeds bear interest at 3% and are fully amortized over 15 years.

**e. Home Rehabilitation and Assistance Loans**

The City administers a housing rehabilitation loan program using Housing Funds. Under these programs, individuals with incomes below a certain level are eligible to receive low interest 15-30 year loans, secured by deeds of trust, for rehabilitation work on their homes. The loan repayments may be amortized over the life of the loans, deferred or a combination of both.

**f. Bay Bridge Corporation (Aids Housing) Deferred Loan**

In May 1995, the City loaned \$325,000 to a nonprofit public benefit corporation that used the funds to develop a six-unit rental housing project for low-income persons who



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 6: Notes and Loans Receivable (Continued)**

are disabled because of being HIV positive or diagnosed with AIDS. The loan is secured by a second deed of trust on the project and bears annual interest rate at 3%. The loan principal and all accrued interest will be due and payable on the earliest of 40 years from the date of the loan, when the property is sold or refinanced or in the event of default on the loan agreement.

**h. Artists Cooperative Loan**

The City has a receivable from the 45<sup>th</sup> Street Artists Cooperative, which is due in annual installments until January 5, 2042. Proceeds from this loan were used to finance the first mortgage on housing units within the Redevelopment Project Area. The loan bears 7% interest until paid in full.

**i. Avalon Senior Housing**

On December 4, 1998, the City loaned the developer of the Avalon Senior Housing Project \$1,800,000 to cover development costs associated with the senior housing space of the project. The interest rate is 3% and secured by a deed of trust on the property. Payments of principal and interest are to be made from residual cash flow as defined in the promissory note with the full amount of outstanding principal and interest due the earliest of 55 years from the date of the note, when the property is sold or refinanced, or in the event of default on the loan agreement.

**j. Remar/Bakery Lofts Loan**

During the fiscal year ended June 30, 2001, the City loaned \$250,000 to a developer to finance the development of eight affordable residential units in a 41 unit project with rental levels for moderate-income households. The loan is secured by a second deed of trust. The loan does not have a due date and is only obligated to be repaid to the City at 8% interest per annum in the event of a violation of the affordability agreement.

**k. Business Development Loans**

The City made loans to local business developers within the 1976 and Shellmound Project Areas. These loans were made for making property improvements to the businesses. The interest rate on these loans is 3.0%, and they are secured by deeds of trusts or equipment and have monthly payments, including interest, due until 2021.

**l. Gateway Housing Corp Loans**

During the fiscal year ended June 30, 2001, the City loaned \$1,475,000 to developers Gateway Housing Corporation (GHC). GHC made 3% notes to low income buyers as a way of repayment; however, the developer's company dissolved and the remaining expected repayment is \$35,000. The loan balance has a 20-year term and will be forgiven effective December 12, 2020, unless the property is sold prior to that date, at which time repayment is expected.

**m. Cal Home Loans**

The City's Cal Home Program offers down payment assistance to lower-income homebuyers purchasing a home in the City of Emeryville. The deferred loans are provided at a 3% simple interest rate, require no monthly payments, are not due until the property is sold, transferred or rented or 30 years, whichever occurs first. The loans allow interest to be forgiven after 30 years, and are collateralized by subordinate deeds of trust.

**n. Help Housing Loan Program**

The City's Help Program offers down payment assistance to lower-income homebuyers purchasing a Below-Market-Rate home in the City of Emeryville. The deferred loans are provided at 3% simple interest rate, require no monthly payments, are not due until the property is sold, transferred or rented or 30 years, whichever occurs first. The loans allow interest to be forgiven after 30 years, and are collateralized by subordinate deeds of trust.

**o. Marinas International**

On December 15, 2009, the City loaned Westrec Marina Management \$502,900 to complete improvements to the fuel dock. Improvements have been completed and the City transferred ownership of the fuel dock in May 2010. Payments of principal and interest are made annually commencing on January 1, 2010, with a balloon payment on October 1, 2023, if the lease is not extended.

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**Note 7: Capital Assets**

Capital asset activity for the year ending June 30, 2013, is as follows:

	Balance at July 1, 2012	Transfers	Additions	Deletions	Balance at June 30, 2013
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 17,474,596	\$ -	\$ -	\$ -	\$ 17,474,596
Construction in progress	1,226,427	(1,317,607)	2,753,111	-	2,661,931
Total Capital Assets Not Being Depreciated	18,701,023	(1,317,607)	2,753,111	-	20,136,527
Capital assets being depreciated:					
Park and other improvements	17,294,685	525,360	-	-	17,820,045
Buildings and improvements	38,731,463	792,247	-	-	39,523,710
Furnishings, vehicles and equipment	8,696,024	-	368,923	(1,185,857)	7,879,090
Marina improvements	8,674,685	-	-	-	8,674,685
Grading, curbs, gutters, sidewalks and driveway approaches	33,800,693	-	-	-	33,800,693
Total Capital Assets Being Depreciated	107,197,550	1,317,607	368,923	(1,185,857)	107,698,223
Less accumulated depreciation for:					
Park and other improvements	4,314,591	-	802,531	-	5,117,122
Buildings and improvements	13,904,508	-	801,053	-	14,705,561
Furnishings, vehicles and equipment	5,744,390	-	528,093	(1,147,245)	5,125,238
Marina improvements	4,348,051	-	563,405	-	4,911,456
Grading, curbs, gutters, sidewalks and driveway approaches	21,970,307	-	828,820	-	22,799,127
Total Accumulated Depreciation	50,281,847	-	3,523,902	(1,147,245)	52,658,504
Net capital assets being depreciated	56,915,703	1,317,607	(3,154,979)	(38,612)	55,039,719
Governmental Activity Capital Assets, Net	\$ 75,616,726	\$ -	\$ (401,868)	\$ (38,612)	\$ 75,176,246

CITY OF EMERYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

**Note 7: Capital Assets (Continued)**

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or programs are as follows:

Governmental Activities:	
City council	\$ 11,616
Finance	1,192
Information technology	61,500
Economic development	3,399
Non-departmental operations	195,995
Police	192,995
Fire	192,604
Public works	2,791,353
Child development	40,736
Recreation	30,843
Senior center	1,669
	<u>1,669</u>
Total Depreciation Expense	<u>\$ 3,523,902</u>

	Balance at July 1, 2012	Transfers	Additions	Balance at June 30, 2013
<b>Business-Type Activities:</b>				
Capital Assets, not being depreciated				
Construction in progress	\$ 3,056,353	\$ (3,056,353)	\$ -	\$ -
Total Capital Assets Not Being Depreciated:	<u>3,056,353</u>	<u>(3,056,353)</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and improvements	487,482	-	-	487,482
Automobile and equipment	5,396	-	-	5,396
Sewer improvements	3,486,934	3,056,353	-	6,543,287
Total Capital Assets Being Depreciated	<u>3,979,812</u>	<u>3,056,353</u>	<u>-</u>	<u>7,036,165</u>
Less accumulated depreciation for:				
Buildings and improvements	48,752	-	9,750	58,502
Automobile and equipment	5,396	-	-	5,396
Sewer improvements	1,297,283	-	53,296	1,350,579
Total Accumulated Depreciation	<u>1,351,431</u>	<u>-</u>	<u>63,046</u>	<u>1,414,477</u>
Net capital assets being depreciated	<u>2,628,381</u>	<u>3,056,353</u>	<u>(63,046)</u>	<u>5,621,688</u>
Business-Type Activity Capital Assets, Net	<u>\$ 5,684,734</u>	<u>\$ -</u>	<u>\$ (63,046)</u>	<u>\$ 5,621,688</u>

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program is as follows:

Business-Type Activities:	
Sewer	<u>\$ 63,046</u>

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**Note 8: Long-Term Debt**

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2013:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Current Portion
<b>Governmental Activity Long-Term Liabilities:</b>					
City Obligations:					
Capital lease	\$ 17,182	\$ -	\$ 17,182	\$ -	\$ -
Public Financing Authority Lease Revenue Bonds, 1998 Series A, 3.80%-5.00%, due 5/01/28	4,955,000	-	210,000	4,745,000	220,000
Compensated absences	4,322,272	697,015	2,254,632	2,764,655	1,442,130
Claims and judgment	1,399,532	1,254,785	938,654	1,715,663	1,150,680
	<u>10,693,986</u>	<u>1,951,800</u>	<u>3,420,468</u>	<u>9,225,318</u>	<u>2,812,810</u>
Total City obligations					
Total Governmental Activity Long-Term Liabilities	<u>\$ 10,693,986</u>	<u>\$ 1,951,800</u>	<u>\$ 3,420,468</u>	<u>\$ 9,225,318</u>	<u>\$ 2,812,810</u>
<b>Business-Type Activity Long-Term Liabilities:</b>					
Sewer Loan Payable, 3.00%, due 5/18/13	\$ 23,803	\$ -	\$ 23,803	\$ -	\$ -
Total Business-Type Activity Long-Term Liabilities	<u>\$ 23,803</u>	<u>\$ -</u>	<u>\$ 23,803</u>	<u>\$ -</u>	<u>\$ -</u>

**a. Capital Lease**

The City had entered into lease agreements for a Ford vehicle. For accounting purposes, the lease agreements qualify as capital leases and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The interest rate on all of the capital leases is 6.35%. As of June 30, 2013, all capital lease contracts have expired and no current lease payments are due.

**b. Public Financing Authority Lease Revenue Bonds, 1998 Series A**

The Emeryville Public Financing Authority Lease Revenue Bonds, 1998 Series A were issued in the principal amount of \$7,000,000 to finance the cost of acquisition of certain property and the rehabilitation, construction, installation and equipping of certain facilities that comprise the City's Civic Center located at 1333 Park Avenue. The bonds are special obligations payable solely from and secured by lease payments to be made from the General Fund of the City. The bonds pay interest semi-annually at rates ranging from 3.80% to 5.00% and mature from May 2000 through May 2028.

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 8: Long-Term Debt (Continued)**

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2013, including interest, are as follows:

	Lease Revenue Bonds, 1998 Series A	
	Principal	Interest
2013-2014	\$ 220,000	\$ 237,250
2014-2015	230,000	226,250
2015-2016	245,000	214,750
2016-2017	255,000	202,500
2017-2018	265,000	189,750
2019-2023	1,550,000	735,000
2024-2028	1,980,000	306,500
Totals	<u>\$ 4,745,000</u>	<u>\$ 2,112,000</u>

**c. Sewer Loan Payable**

The City borrowed \$363,467 from the State Water Resources Control Board, which was used to replace sewers on Landregan, Peladeau and Hollis Streets north of Powell Street. As of June 30, 2013, all outstanding debt relating to the State Water Resources Control Board Sewer Loan has been repaid.

**Note 9: Debt Without City Commitment**

**a. Public Financing Authority 1999 Revenue Bonds Without City Commitment**

On July 21, 1999, the Public Financing Authority issued \$14,420,000 1999 Revenue Bonds to refinance three previously issued bonds: The West Emeryville Assessment District Improvement Bonds, the Bay Street-Shellmound Street Extension Assessment District Limited Obligation Bonds, and the East Bay Bridge Assessment District Limited Obligation Improvement Bonds, No. 1993-1. In addition, proceeds of the 1999 Revenue Bonds have been used to finance acquisition and construction of certain capital improvements in the City. The City is in no way liable for repayment of the bonds, but acts as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate.

**Note 10: Retirement Benefits**

**a. CALPERS**

Substantially all full-time City employees are eligible to participate in pension plans offered by California Public Employees' Retirement System (CALPERS). CALPERS acts as a common investment and administrative agent for its participating member

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 10: Retirement Benefits (Continued)**

employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefit provisions are established by state statute and City resolution. Benefits are based on years of credited service, equal to one year of full-time employment. Funding contributions are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts.

The City's labor contracts for miscellaneous and certain public safety employees require the City to pay employee contributions as well as its own.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. The City does not have a net pension obligation since it pays these actuarially required contributions monthly. Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**Miscellaneous Employees Plan**

Plan Description

The City's Miscellaneous Plan of the Management of Emeryville Services Authority is an agent multiple-employer defined benefit pension plan administered by CALPERS. Cost-of-Living adjustments are provided beginning the second calendar year after the year of retirement at 1.5%.

Funding Policy

The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of annual salary	1.012% - 2.418%
Required employee contribution rates	7%
Required employer contribution rates	9.995%

Each employee contributes toward his or her retirement based upon the specific retirement and benefit formula. The City is required to contribute to an actuarially determined rate; the current rate is 9.995% of covered payroll.

CITY OF EMERYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

**Note 10: Retirement Benefits (Continued)**

The City's annual miscellaneous pension cost and change in net pension asset for fiscal year ending June 30, 2013, were as follows:

Annual required contribution	\$ 794,146
Interest on net pension asset	39,250
Adjustment to annual required contribution	<u>(35,039)</u>
Annual pension cost (expense)	798,357
Contributions made	<u>657,524</u>
(Increase)/decrease in net pension asset	140,833
Net pension asset - beginning of year	<u>493,545</u>
Net pension asset - end of year	<u><u>\$ 352,712</u></u>

The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method.

Three Year Trend Information For PERS			
(Amounts in Thousands)			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2011	\$ 1,175,472	185%	\$ 1,000,000
6/30/2012	1,679,114	70%	493,545
6/30/2013	798,357	82%	352,712

A summary of principal assumptions and methods used to determine the annual required contribution (ARC) is shown below.

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
<b>Actuarial Assumptions</b>	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.



**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**Note 10: Retirement Benefits (Continued)**

Initial plan unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CALPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

The latest information available for the plans' actuarial value (which differs from fair value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30.

Schedule of Funding Progress for PERS  
Miscellaneous Plan (Management of Emeryville Services Authority)  
Most Recent Available

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	Unfunded Liability as % of Payroll
				(AVA)	Market Value		
6/30/2009	34,143,713	31,660,933	2,482,780	92.7%	67.5%	7,453,085	33.3%
6/30/2010	36,817,349	33,822,434	2,994,915	91.9%	72.1%	7,218,515	41.5%
6/30/2011	39,674,640	37,529,568	2,145,072	94.6%	84.7%	7,057,827	30.4%

**Plan Changes**

Effective July 1, 2013, the City's Miscellaneous Plan for the Management of Emeryville Services Authority had less than 100 participants. Therefore, as required by State legislature, the City plan is transferred to the CALPERS risk pool. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in the risk pool created a positive side fund to account for the difference between the funded status of the pool and the funded status of the City's plan in addition to the City's unfunded liability. The side fund will be credited on an annual basis with the actuarial investment return assumption. This assumption is 7.57% prior to July 1, 2012, and 7.5% after June 30, 2012. A positive or negative side fund will cause required employer contributions to decrease or increase respectively, by the amortization of the side fund.

**Safety Employees Plan**

**Plan Description**

The City of Emeryville contributes to CALPERS, a cost-sharing multiple-employer public employee defined benefit pension plan for safety employees.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 10: Retirement Benefits (Continued)**

Funding Policy

The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

	<u>Fire</u>	<u>Police</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.400% - 3.000%	2.400% - 3.000%
Required employee contribution rates	12%	9%
Required employer contribution rates	23.416%	22.744%

For fiscal year 2012-2013, the City of Emeryville participated in CALPERS risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling is designed to reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date starting with the June 30, 2003, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date. It is not required to disclose the market value of net position for safety employees. The contribution requirement of plan member and the City are established and may be amended by CALPERS.

Upon transfer to the risk pool, CALPERS created a side fund obligation for the Plan. The City has contributed to CALPERS to pay off the side fund for past service cost. This amount was amortized as a level percentage of payroll over various time periods.

The current balance of the safety side fund is zero. The contributions made to pay off the side fund are as follows:

Fiscal Year 2007-2008	\$ 2,434,121
Fiscal Year 2008-2009	2,028,515
Fiscal Year 2010-2011	1,614,004
Fiscal Year 2011-2012	1,655,861
Fiscal Year 2012-2013	<u>927,554</u>
Total	<u>\$ 8,660,055</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 10: Retirement Benefits (Continued)**

Required Contribution

For the year ended June 30, 2013, the City's contribution of \$1,814,667 for police safety employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected annual salary increases that range from 3.55% to 14.45% depending on age, service, and type of employment. Both (a) and (b) include an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 17 years for police and 18 years for fire.

Three Year Trend Information For PERS - Safety Plans

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2011	\$ 2,356,735	100%
6/30/2012	2,748,219	100%
6/30/2013	1,814,667	100%

Effective July 1, 2012, the City's fire safety plan became inactive due to the transfer of all active employees to the Alameda County Fire Department.

**b. City of Emeryville Pension Plan**

Plan Description

The City of Emeryville Pension Plan is a closed single-employer defined benefit pension plan that provides benefits to two participants. The plan is closed and no new members may participate. Benefits are paid monthly and increase 2% annually as required by the City.

Funding Policy

During the year ended June 30, 2013, the City paid \$29,974 in retirement benefits. The activities of the plan are included in the Pension Trust Fund. The plan does not issue separate financial statements.

Under the City's old retirement plan, the actuarial accrued liability presented below was determined as part of an actuarial valuation performed at June 30, 2013, (actuarial valuations for this plan are performed every three years). The projected unit cost method and significant actuarial assumptions used in determining the actuarial accrued liability included a rate of return on the investment of present and future assets of 4.0% per year compounded annually and a projected salary increases of 2.0% per year compounded annually attributable to inflation for pension benefits.

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 10: Retirement Benefits (Continued)**

The latest information available for the plans' actuarial value (which differs from fair value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30, 2013.

Actuarial accrued liability at June 30, 2013	\$ 192,000
Book value of assets available for benefits, as of June 30, 2013	<u>-</u>
Actuarial unfunded liability	<u><u>\$ 192,000</u></u>

**Note 11: Post-Employment Benefits Other Than Pensions**

Plan Description

The City has established a qualified OPEB trust with the California Government Voluntary Employee Beneficiary Association (VEBA) to perform post retirement medical reimbursement.

Funding Policy

Currently, the City funds retiree healthcare benefits on a pay-as-you-go basis and sets aside additional amounts in the trust as they become available. For fiscal year 2012-2013, the City contributed \$767,747, for benefits for retired employees and an additional contribution to fund the unfunded liability.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset:

Annual required contribution (ARC)	\$ 431,170
Interest on net pension asset	(71,715)
Adjustment to ARC	<u>69,266</u>
Annual OPEB cost	428,721
Contribution made	<u>767,747</u>
Increase in net OPEB asset	(339,026)
Net OPEB asset - July 1, 2012	<u>(1,357,540)</u>
Net OPEB asset - June 30, 2013	<u><u>\$ (1,696,566)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the 2012-2013, fiscal year and the two preceding years were as follows:

CITY OF EMERYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

**Note 11: Post-Employment Benefits Other Than Pensions (Continued)**

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/11	\$ 400,030	308.63%	\$ (1,020,632)
06/30/12	428,034	288.44%	(1,357,540)
06/30/13	428,721	179.10%	(1,696,566)

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Actuarial valuations are performed every three years. The information presented below is based on the most recent information available.

Schedule of Funding Progress for OPEB  
(Amount in Thousands)

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
3/1/2008	\$ -	\$ 6,520	\$ 6,154	5.6%	\$ 13,850	44.4%
6/30/2011	1,651	7,041	5,390	23.4%	14,766	36.5%

\*Based on the most recent actuarial valuation available.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 11: Post-Employment Benefits Other Than Pensions (Continued)**

The actuarial valuation dated June 30, 2011, used the Entry Age Normal actuarial cost method, an annual inflation rate of 3% and a discount rate of 5% that is the long-term expected rate of return on plan assets or the City's investment fund. The healthcare cost trend rate used was 4%. The unfunded accrued actuarial liability (UAAL) is being amortized as a level dollar on a closed basis over a 30-year period as a level percentage of payroll beginning with the 2009-2010 fiscal year.

Under the memorandum of understanding of the Emeryville Police Officer Association, the International Association of Fire Fighters, Local 55, the Service Employee International Union and the Management of Emeryville Services Authority, the City provides post retirement health care benefits to eligible employees. The City pays 100% of benefit up to a cap depending on the retiree's bargaining unit. Currently, 84 retirees are receiving medical benefits and 155 employees are covered by the plan.

**Note 12: Deferred Compensation Plan**

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457 and 401(a). Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in certain hardships as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

**Note 13: Risk Management**

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued.

Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility.

**a. Self-Insurance**

The City is self-insured for workers' compensation claims up to \$350,000 per occurrence. The operating funds are charged premiums by the City Workers' Compensation Self-Insurance Fund, which is accounted for as an internal service fund. The accrued liability for estimated claims represents an estimate of ultimate loss on claims, including an estimate of incurred but not reported losses.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 13: Risk Management (Continued)**

The City is also self-insured for general liability claims up to \$10,000. Outstanding claims are evaluated by the City Attorney for exposure and any anticipated liability is recorded in the Litigation Fund, which is accounted for as an internal service fund.

The City is self-insured for dental claims up to \$1,500 per covered person per year, which is the benefit limit. The operating funds are charged premiums by the Dental Internal Service Fund.

The City is self-insured for unemployment claims. The operating funds are charged premiums by the City Unemployment Fund, which is accounted for as an internal service fund.

**b. Risk Pools**

Bay Cities Joint Powers Insurance Authority (BCJPIA) covers general liability claims in an amount up to \$1,000,000. The City has a deductible or uninsured liability of up to \$10,000 per claim. Once the City's deductible is met, BCJPIA becomes responsible for payment of all claims up to the \$1,000,000 limit. In addition, the City has excess coverage with California Affiliated Risk Management Authorities (CARMA) for claims from \$1,000,000 to \$25,000,000.

Effective July 1, 2002, the City participates in the BCJPIA Workers' Compensation Group. BCJPIA covers workers' compensation claims in excess of \$350,000 up to \$1,000,000 (the City has a deductible or uninsured liability of up to \$350,000 per claim). BCJPIA Workers' Compensation Group participates in the Local Agency Workers' Compensation Excess Insurance Joint Powers Authority (LAWCX). LAWCX covers workers' compensation claims from \$1,000,000 to the statutory limit.

The City also participates in the BCJPIA employment practices liability coverage through the Employment Risk Management Authority (ERMA). ERMA provides coverage up to \$1 million per occurrence for claims in excess of the City's deductible of \$50,000.

The City's contributions with each risk pool is based upon its experience plus a ratio of the City's payroll and other related factors to the total payrolls and other related factors of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Financial statements for BCJPIA and LAWCX may be obtained from Bickmore & Associates, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

**c. Liability for Uninsured Claims**

The City provides for the uninsured portion of claims and judgments in the Workers' Compensation Self-Insurance and Litigation Internal Service Funds. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims. Settlements have not exceeded coverage for each of the past three fiscal years.

**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**Note 13: Risk Management (Continued)**

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior years' claims experience as of June 30, 2013 and 2012:

	2013			2012
	Workers' Compensation Claims	General Liability Claims	Total	
Beginning balance	\$ 1,352,035	\$ 47,497	\$ 1,399,532	\$ 1,802,518
Liability for current fiscal year claims and claims incurred but not reported (IBNR)	809,855	444,930	1,254,785	511,725
Claims paid	<u>(669,326)</u>	<u>(269,328)</u>	<u>(938,654)</u>	<u>(914,711)</u>
Ending balance	<u>\$ 1,492,564</u>	<u>\$ 223,099</u>	<u>\$ 1,715,663</u>	<u>\$ 1,399,532</u>

**d. Environmental Insurance**

The City has a pollution legal liability insurance, which covers third-party claims and additional cleanup costs related to Site B (parcels north of Bay Street) for up to \$10,000,000. The City has a deductible or uninsured liability of \$100,000 per claim. During fiscal year 2008-2009, the City paid a one-time premium of \$181,857 for this policy that covers a ten-year period from November 3, 2008 to November 3, 2018.

**Note 14: Contingent Liabilities**

**a. General**

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is pending litigations that are reasonably possible to have a material adverse effect on the financial position of the City.

The City participates in several federal and state grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act Amendments of 1986 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 City expects such amounts, if any, to be immaterial.

**b. Lease Agreement with the Emery Unified School District and Reimbursement Agreement with the City of Emeryville**

On October 15, 2002, the City and the Emery Unified School District signed a lease agreement to lease and improve recreational facilities at Emery High School from the District for a period of 40 years for rent payments totaling \$1,500,000 and estimated improvement costs of \$250,000. Through this Lease Agreement, the City will eliminate blighting influences in both the Emeryville and Shellmound Park Redevelopment Areas by improving inadequate public facilities in order to benefit the public.



**CITY OF EMERYVILLE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 14: Contingent Liabilities (Continued)**

As a result, a Reimbursement Agreement between the City and the Former Redevelopment Agency was also signed to reimburse the City for all payments disbursed to the District during the fiscal year. In May 2011, the lease agreement was amended to extend the lease to 99 years in exchange for additional payments to the District of \$2.25 million. One million of this commitment was paid during fiscal year 2010/11; the remainder will be due when construction begins on the Emeryville Center of Community Life.

**Note 15: Fund Equity and Net Position Restatements**

Beginning fund equity has been restated as follows:

Governmental Funds

Major governmental funds:

Disposal of 1168 36th Street \$ 2,143,280

Housing Assets

Rockwood loan 350,000

Total governmental funds \$ 2,493,280

Government-wide Net Position

Beginning net position has been restated as follows:

Fund balance adjustments noted above \$ 2,493,280

Total Governmental Activities \$ 2,493,280

**Note 16: Construction Commitments**

The following material construction commitments existed at June 30, 2013:

Project Name	Contract Amount	Expenditures to date as of June 30, 2013	Remaining Commitments
Slurry Seal Program	\$ 269,268	\$ 266,617	\$ 2,651
Street Reconstruction	595,559	567,773	27,786
Rehabilitation to the Emeryville Senior Center	437,082	97,775	339,307
Temescal Creek Park Renovation	680,998	553,377	127,621

**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency**

As of January 31, 2012, the Emeryville Redevelopment Agency has been dissolved and the City of Emeryville as the Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment Agency.

The City of Emeryville as Successor Agency to the former Emeryville Redevelopment Agency was created January 17, 2012, as outlined in Assembly Bill 1X 26 (the Bill) which provides the requirements for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Emeryville that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

Subject to the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

**a. Cash and investments**

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 71,923,450
Cash and investments with fiscal agent	<u>14,259,242</u>
	<u><u>\$ 86,182,692</u></u>

**b. Loans Receivable**

The former Redevelopment Agency had engaged 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 Former Redevelopment Agency's terms. Since the Successor Agency did not expect to collect these loans in the near term, they have been offset by deferred inflow of resources in the fund financial statements.

At June 30, 2013, the notes and loans receivable totaled:

**Successor Agency**

Homeowner's Association Assessment	\$ 54,432
Bayfront Industrial Center	143,226
Business Development	149,746
Emeryville Town Center (Bay Street)	18,344,000
Emeryville Unified School District	2,891,020
Avalon Commercial LLC	<u>1,000,990</u>
Total	<u><u>\$ 22,583,414</u></u>

**1. Homeowner's Association Assessment Loan Program**

In February 2009, the former Redevelopment Agency provided loans to owners of Below Market Rate (BMR) units and market rate units in the Oliver Lofts development. Loans to owners of market rate units are secured by trust deeds bear interest at 3.7% and are fully amortized over 20 years. Loans to BMR unit owners are partially or fully unsecured and may be deferred payment loans to meet debt-to-income ratio requirements. Deferred loans will be reassessed every five years and converted to amortized loans based on owners' ability to make payments. The BMR loans bear interest at 3.7% and are due in 20 years, with the exception that the deferred loans bear interest at a simple interest rate.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**2. Bayfront Industrial Center Loan**

The Former Redevelopment Agency has a receivable from a developer who used proceeds of the loan to construct a parking lot. The loan is secured by a second deed of trust on the project, bears interest at 6.8% and has monthly payments, including interest, of \$1,909 due until August 1, 2021.

**3. Business Development Loans**

The Former Redevelopment Agency made loans to local business developers within the 1976 and Shellmound Project Areas. These loans were made for the purpose of making property improvements to the businesses. The interest rate on these loans is 3.0%, and they are secured by deeds of trusts or equipment and have monthly payments, including interest, due until 2014.

**4. Emeryville Bay Street Promissory Note**

The former Redevelopment Agency assembled a 20-acre site in the Bay Street area, demolished existing improvements and cleaned toxic contaminants. An agreement with Madison-Marquette (Bay Street Partners, LLC), the developer, provided for the redevelopment of the property as a mixed-use project consisting of 400,000 square feet of retail space, 350 residential units and a 250-room hotel.

As part of this agreement, during fiscal year ended June 30, 2001, the former Redevelopment Agency sold the property for \$25,500,000. The developer paid \$1,800,000 to the former Redevelopment Agency and executed a promissory note to the former Redevelopment Agency in the amount of \$23,700,000 secured by an option agreement under which the former Redevelopment Agency may purchase the retail parking parcel and structure from the developer for \$1. \$3,300,000 receivable was due the earlier of December 31, 2002, or upon the issuance of a certificate of occupancy for the first tenant. The remaining principal and interest are due annually commencing the tenth year of the Bay Street operations with the final payment due in the 25th year of operation. In fiscal year 2003, \$3,300,000 was received and in fiscal year 2011, \$1,056,000 was forgiven in lieu of the developer paying for remediation costs on the property.

**5. Emeryville Unified School District**

On March 25, 2008, the former Redevelopment Agency made a facilities loan of \$2,836,648 to the Emery Unified School District (EUSD) for the Emeryville Center of Community Life (ECCL) Project. The ECCL is a vision for the centralized and coordinated delivery of social, educational, and recreation resources for all members of the Emeryville community and includes the enhancement of existing facilities and programs provided by EUSD. The facilities loan will be used by EUSD to provide supplemental funding of project costs for a two story modular classroom for Anna Yates Elementary School and the replacement of the playing field and the renovation of the Industrial Arts building at Emery Secondary School. The loan has an interest rate of 4.577333% and is amortized over 16 years with repayment made semi-annually effective December 31, 2008, from EUSD's share of AB 1290 pass through payments that would otherwise be available for educational facilities.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**6. Avalon Commercial LLC**

On December 4, 1998, the former Redevelopment Agency loaned the developer of the Avalon Commercial Project \$475,000 to cover development costs associated with the commercial space of the project. An additional loan of \$55,000 was made on May 25, 2005 to cover development cost overruns. The interest rates are 7% and 3% respectively, secured by a deed of trust on the property. Payments of principal and interest are to be made from residual cash flow as defined in the promissory note with the full amount of outstanding principal and interest due the earliest of 55 years from the date of the note, when the property is sold or refinanced, or in the event of default on the loan agreement.

**c. Development Agreements**

The former Redevelopment Agency have entered into a variety of development agreements with third parties to provide needed improvements and projects. Activities under agreements that are completed or for which there are continuing commitments are disclosed below. The Agency has other agreements that entitle them to collect certain loans or notes receivables, which are disclosed above. These agreements were transferred to the Successor Agency upon dissolution of the former redevelopment agency.

**1. Development of Emeryville Amtrak Station**

In March of 1993, the former Redevelopment Agency entered into a Participation Agreement with Wareham Development Corporation to develop the Emeryville Amtrak Station. Under the terms of the Participation Agreement, the former Redevelopment Agency developed the station public improvements including tracks, platforms, parking, landscaping and street improvements. Wareham developed the station building, which the Former Redevelopment Agency leases from Wareham and subleases to Amtrak for a period of 25 years, after which time ownership of the station goes to Amtrak.

The former Redevelopment Agency paid monthly lease payments of \$13,745.17 from April 1, 1994 through May 1, 2011. As of June 1, 2011, no rent is due for the remainder of the term of the lease ending March 1, 2019. Under the lease terms, the former Redevelopment Agency is also responsible for property taxes in excess of \$15,000 per year through March 1, 2019. Under the terms of the Former Agency's sublease of the Amtrak Station to the National Railroad Passenger Cooperation (Amtrak), the former Redevelopment Agency will receive payments as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 90,000
2014	90,000
2015	90,000
2016	90,000
2017	180,000
Total	<u><u>\$ 540,000</u></u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**2. Novartis Corporation Project**

The former Redevelopment Agency has a Development Agreement with Novartis Corporation under which the former Redevelopment Agency will reimburse the Corporation for extraordinary costs incurred in remediating and improving property to be used as a site for expansion of its Biotech Research facilities. The Corporation constructed the first building of the project and is entitled to receive 40% of future tax increment revenue generated by the project until fiscal 2026-2027 subject to certain limitations defined in the Agreement. Because Novartis did not comply with the limitations defined in the Agreement, the Former Agency's obligation to reimburse Novartis their extraordinary costs terminated as of October 8, 2013. Payments during the current year totaled \$0.

**3. Emeryville Bay Street**

The developer has acquired parcels from the former Redevelopment Agency for use as a site for the Emeryville (Bay Street) in exchange for a note receivable due to the former Redevelopment Agency, which is disclosed in Note 5 above.

**4. EmeryStation Greenway**

The former Redevelopment Agency has entered into an Owner Participation Agreement with EmeryStation Triangle, LLC, and EmeryStation Triangle II, LLC, under which the former Redevelopment Agency will reimburse EmeryStation Triangle II certain permitted costs including relocation, site assessment and remediation and sound mitigation costs not to exceed \$1,753,000. The former Redevelopment Agency will also compensate EmeryStation Triangle II, LLC \$735,000 for the fair market value of the Plaza Greenway property and improvements thereto to be dedicated to the City upon completion. Thus, the former Redevelopment Agency will provide Emery Station Triangle II a total of \$2,488,000 in assistance. Accordingly, in consideration of the developer's obligations to construct the project, the former Redevelopment Agency will reimburse up to \$1,050,000 in project costs at the completion of Phase I and an additional reimbursement not to exceed \$1,438,000 will be payable either in a lump sum or from future tax increment revenue generated by the project, at the former Agency's discretion. As of June 30, 2013, the former Redevelopment Agency had paid \$2,488,000 of the permitted costs.

CITY OF EMERYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

d. Capital Assets

An analysis of capital assets as of June 30, 2013, follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets not being depreciated:				
Land	\$ 10,529,090	\$ 99,110	\$ -	\$ 10,628,200
Total Capital Assets Not Being Depreciated	<u>10,529,090</u>	<u>99,110</u>	<u>-</u>	<u>10,628,200</u>
Capital assets being depreciated:				
Park and other improvements	343,343	-	-	343,343
Buildings and improvements	5,054,535	-	-	5,054,535
Total Capital Assets Being Depreciated	<u>5,397,878</u>	<u>-</u>	<u>-</u>	<u>5,397,878</u>
Less accumulated depreciation for:				
Park and other improvements	-	17,164	-	17,164
Buildings and improvements	825,659	268,352	-	1,094,011
Total Accumulated Depreciation	<u>825,659</u>	<u>285,516</u>	<u>-</u>	<u>1,111,175</u>
Net capital assets being depreciated	<u>4,572,219</u>	<u>(285,516)</u>	<u>-</u>	<u>4,286,703</u>
Capital Assets, Net	<u>\$ 15,101,309</u>	<u>\$ (186,406)</u>	<u>\$ -</u>	<u>\$ 14,914,903</u>

CITY OF EMERYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**e. Long-Term Debt**

A description of long-term debt outstanding of the Successor Agency as of June 30, 2013, follows:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Current Portion
Fiduciary Activities:					
City Loans	\$ 10,011,641	\$ -	\$ -	\$ 10,011,641	\$ -
Public Financing Authority Revenue Bonds, Series 2004A,	66,230,000	-	2,420,000	63,810,000	2,535,000
Public Financing Authority Revenue Bonds, 2002 Series A, 2.00%-5.25%, due 9/01/21	13,870,000	-	1,120,000	12,750,000	1,160,000
Public Financing Authority Revenue Bonds, 2001 Series A, 4.00%-5.20%, due 9/01/31	17,430,000	-	705,000	16,725,000	740,000
Public Financing Authority Revenue Bonds, 2001 Series B, 7.02%-7.20%, due 9/01/31	3,075,000	-	55,000	3,020,000	55,000
Public Financing Authority Revenue Bonds, 1998 Series B, 4.00%-5.00%, due 9/01/28	38,175,000	-	1,295,000	36,880,000	1,350,000
Public Financing Authority Revenue Bonds, 1998 Series C, 5.75%-6.75%, due 9/01/26	13,555,000	-	505,000	13,050,000	545,000
Public Financing Authority Revenue Bonds, Series 1995, 4.00%-6.20%, due 9/01/25	4,890,000	-	230,000	4,660,000	245,000
Total Successor Agency Bonds	167,236,641	-	6,330,000	160,906,641	6,630,000
Add:					
Unamortized bond premium	1,162,424	-	68,495	1,093,929	-
Total Successor Agency Long-Term Liabilities	<u>\$ 168,399,065</u>	<u>\$ -</u>	<u>\$ 6,398,495</u>	<u>\$ 162,000,570</u>	<u>\$ 6,630,000</u>

**1. City Loans**

“Supplemental” Educational Revenue Augmentation Fund (SERAF)

On May 4, 2010, the City Council and former Redevelopment Agency passed a resolution approving an advance from the Combined Low and Moderate Income Housing Fund to the 1976 Project Area Capital Project Fund and Shellmound Project Area Capital Projects Fund for \$8,494,300 and \$2,797,700, respectively totaling \$11,292,000 for the purpose of providing funding to pay the County’s “Supplemental” Educational Revenue Augmentation Fund (SERAF) payment for 2010-2011. There is no repayment schedule, however State legislation requires it to be repaid by June 30, 2015, to avoid penalty. There were repayments totaling \$2,258,400 to repay one-fifth of this advance in prior years. The advance was transferred from the former Redevelopment Agency to the Successor Agency as of February 1, 2012, as a result of the dissolution and will be repaid in accordance with approved recognized obligation payments schedule (ROPS). The receivable resides in the Housing Assets Fund. The ending balance of the advance as of June 30, 2013, is \$9,033,600.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

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**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

Park Avenue Park – CIERRA Loan

The City Council and the former Redevelopment Agency authorized the execution of a Capital Incentives for Emeryville's Redevelopment and Remediation (CIERRA) loan agreement for the remediation of the two-acre Park Avenue Park pursuant to the Park Avenue District Plan. The remediation was completed the end of 2008. The loan was for \$2.0 million and has a 5 percent per annum interest rate for five years. There is a balloon payment of \$2.5 million required at the end of the term. The loan can be repaid, penalty-free, at any time. . The advance was transferred from the former Redevelopment Agency to the Successor Agency as of February 1, 2012, as a result of the dissolution and will be repaid in accordance with approved recognized obligation payments schedule (ROPS). The receivable resides in the Housing Assets Fund. The balance at June 30, 2013, is \$766,898.

Doyle-Hollis Park – CIERRA Loan

On June 5, 2007, the former Redevelopment Agency approved the plans and specifications for the remediation of the former Dutro property, site of the future Doyle-Hollis Park bounded by Hollis Street, 61st Street, 62nd Street and Doyle Street.

To accomplish this, the City Council and the former Redevelopment Agency authorized the execution of a Capital Incentives for Emeryville's Redevelopment and Remediation (CIERRA) loan agreement for the remediation of the former Dutro property in the amount of \$603,382. The loan bears interest at a rate of 2 percent per annum and will be repaid in three annual installments of \$209,405 beginning May 2010. The advance was transferred from the former Redevelopment Agency to the Successor Agency as of February 1, 2012 as a result of the dissolution and will be repaid in accordance with approved recognized obligation payments schedule (ROPS). The receivable resides in the Housing Assets Fund. The balance at June 30, 2013, is \$211,143.

**2. Public Financing Authority Revenue Bonds, 2004 Series A**

On August 12, 2004, the Public Financing Authority issued \$78,790,000 of Emeryville Public Financing Authority, Revenue Bonds, 2004 Series A to provide financing for various redevelopment projects, and to fund a debt service reserve fund.

The former Redevelopment Agency's tax increment revenue is pledged for the repayment of these bonds. Interest is due semiannually each September 1 and March 1. Interest rates on the bonds range from 3.50% to 5.00%. Commencing 2006, principal is payable each September 1 through 2034.



CITY OF EMERYVILLE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2013, including interest, are as follows:

	Public Financing Authority, Revenue Bonds, 2004 Series A	
	Principal	Interest
2013-2014	\$ 2,535,000	\$ 2,856,200
2014-2015	2,660,000	2,726,325
2015-2016	2,800,000	2,604,525
2016-2017	2,905,000	2,490,399
2017-2018	3,035,000	2,368,596
2019-2023	17,160,000	9,748,784
2024-2028	18,415,000	5,459,558
2029-2033	8,540,000	2,526,164
2033-2035	5,760,000	282,755
Totals	<u>\$ 63,810,000</u>	<u>\$ 31,063,306</u>

**3. Public Financing Authority Revenue Bonds, 2002 Series A**

On November 19, 2002, the City and the former Redevelopment Agency jointly issued, through a financing intermediary called the Emeryville Public Financing Authority, \$22,120,000 in Revenue Bonds Series A (2002 Bonds). The bonds' proceeds were used to defease the outstanding 1993 Series A Revenue Bonds, to provide financing for various redevelopment projects, and to fund a debt service reserve fund. A portion of proceeds from the 2002 Bonds was placed in an irrevocable trust to provide all the future debt service payments in the defeased 1993 Bonds. The defeased 1993 Bonds were called on January 2003. As a result of the refunding, the aggregate debt service was decreased by \$2,913, and an economic gain of \$2,851,526 was realized.

The former Redevelopment Agency's tax increment revenue is pledged for the repayment of the 2002 Bonds. Interest is due semi-annually each September 1 and March 1. Commencing 2003, principal is payable each September 1 through 2021. Interest rates on the bonds range from 2.00% to 5.25%.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2013, including interest, are as follows:

	Public Financing Authority, Revenue Bonds, 2002 Series A	
	Principal	Interest
2013-2014	\$ 1,160,000	\$ 630,225
2014-2015	1,205,000	576,844
2015-2016	1,265,000	512,006
2016-2017	1,330,000	443,888
2017-2018	1,400,000	372,225
2019-2022	6,390,000	691,950
Totals	<u>\$ 12,750,000</u>	<u>\$ 3,227,138</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**4. Public Financing Authority Revenue Bonds, 2001 Series A and Series B**

On July 1, 2001, the City and the former Redevelopment Agency jointly issued, through a financing intermediary called the Emeryville Public Financing Authority, Revenue Bonds, 2001 Series A and 2001 Series B in the principal amounts of \$23,000,000 and \$3,420,000, respectively. The proceeds of Series A Bonds were used to finance redevelopment activities within the Emeryville Redevelopment Project Area and Shellmound Redevelopment Project Area.

The proceeds of Series B Bonds were used to finance low and moderate-income housing projects. The Series A Bonds are secured by a pledge of the former Redevelopment Agency's tax increment revenue and Series B Bonds are secured by Housing Set Aside revenue. Interest is due semi-annually each September 1 and March 1. Commencing 2002, principal is payable each September 1 through 2031. Interest rates on the bonds range from 4.00% to 5.125%.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2013, including interest, are as follows:

	Public Financing Authority, Revenue Bonds, 2001 Series A		Public Financing Authority, Revenue Bonds, 2001 Series B	
	Principal	Interest	Principal	Interest
2013-2014	\$ 740,000	\$ 828,188	\$ 55,000	\$ 214,475
2014-2015	775,000	793,713	60,000	210,438
2015-2016	805,000	756,568	65,000	206,051
2016-2017	845,000	716,545	70,000	201,312
2017-2018	885,000	673,718	75,000	196,223
2019-2023	5,145,000	2,624,523	450,000	892,827
2024-2028	5,310,000	1,149,538	795,000	694,980
2029-2032	2,220,000	271,113	1,450,000	217,800
Totals	<u>\$ 16,725,000</u>	<u>\$ 7,813,906</u>	<u>\$ 3,020,000</u>	<u>\$ 2,834,106</u>

**5. Public Financing Authority Revenue Bonds, 1998 Series B and Series C**

On July 23, 1998, the City and the former Redevelopment Agency jointly issued, through a financing intermediary called the Emeryville Public Financing Authority, Revenue Bonds, 1998 Series B and 1998 Series C in the principal amounts of \$50,650,000 and \$17,905,000, respectively, to finance certain redevelopment projects. The bonds' proceeds were also used to refund a portion of Revenue Bonds, Series 1995 and a portion of 1993 Revenue Bonds, Series A, and to refund all of the Revenue Bonds, Series 1994 by purchasing Federal Securities that were deposited in irrevocable trusts with an escrow agent to provide future debt payments on the refunded bonds.

The Former Redevelopment Agency's tax increment revenue is pledged for the repayment of the 1998 Bonds. Interest is due semi-annually each September 1 and March 1. Commencing 1999, principal is payable each September 1 through 2028 for Series B Bonds and 2026 for Series C Bonds. Interest rates on the bonds range from 4.00% to 6.75%.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR FISCAL YEAR ENDED JUNE 30, 2013**

**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2013, including interest, are as follows:

	Public Financing Authority, Revenue Bonds, 1998 Series B		Public Financing Authority, Revenue Bonds, 1998 Series C	
	Principal	Interest	Principal	Interest
2013-2014	\$ 1,350,000	\$ 1,810,250	\$ 545,000	\$ 857,041
2014-2015	1,425,000	1,740,875	575,000	819,941
2015-2016	1,500,000	1,667,750	610,000	780,688
2016-2017	1,575,000	1,590,875	655,000	738,784
2017-2018	1,645,000	1,510,375	700,000	693,900
2019-2023	11,375,000	6,151,625	4,265,000	2,679,313
2024-2028	17,555,000	1,933,875	5,700,000	908,213
2028-2029	455,000	11,375	-	-
Totals	<u>\$ 36,880,000</u>	<u>\$ 16,417,000</u>	<u>\$ 13,050,000</u>	<u>\$ 7,477,880</u>

**6. Public Financing Authority Revenue Bonds, Series 1995**

The Revenue Bonds, Series 1995 were issued in the principal amount of \$6,740,000 to refinance the former Redevelopment Agency's share of the cost of acquisition, construction and funding for low and moderate-income housing projects. The bonds are special obligations of the former Redevelopment Agency payable solely from and secured by a pledge of and lien upon tax increment revenues. The bonds pay interest semi-annually at rates ranging from 4.00% to 6.20% and mature from September 1996 through September 2025. The proceeds from the bonds were used to advance refund outstanding 1990 Housing Revenue Bonds, Increment Series A (Refunded Bonds) by purchasing U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded Bonds. As a result, the 1990 Bonds were considered to be defeased and the liability for those obligations was removed from the Former Redevelopment Agency's financial statements.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2013, including interest, are as follows:

	Public Financing Authority, Revenue Bonds, Series 1995	
	Principal	Interest
2013-2014	\$ 245,000	\$ 281,233
2014-2015	260,000	265,670
2015-2016	275,000	249,085
2016-2017	290,000	231,570
2017-2018	310,000	212,970
2019-2023	1,865,000	741,675
2024-2026	1,415,000	134,695
Totals	<u>\$ 4,660,000</u>	<u>\$ 2,116,898</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**7. Pledged Revenue**

As previously discussed, the former Redevelopment Agency pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$221,845,234 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$15,866,584 and the debt service obligation on the bonds was \$14,123,163.

**8. Housing Revenue Bonds Without Commission Commitment**

On August 15, 1996, the former Redevelopment Agency assisted in the issuance of \$16,470,000 in Revenue Bonds for the purpose of providing funds to make a loan to East Bay Bridge Partners to provide permanent financing for a multifamily rental housing project known as the East Bay Bridge Project. Principal and interest on the bonds are payable semi-annually on March 1 and September 1 of each year commencing March 1, 1998. The Commission has no legal or moral commitment for the repayment of these bonds.

On October 9, 2002, the former Redevelopment Agency assisted in the issuance of \$66,715,000 in Multifamily Housing Refunding Revenue Bonds, Series 2002 A for the purpose of providing funds to make a loan to Bay Street Housing Partners to provide financing for the acquisition and construction of a multifamily residential project known as Bay Street Apartments. Interest on the bonds is payable on the 15th day of each month commencing October 15, 2002. The bonds are due October 15, 2042. The former Redevelopment Agency has no legal or moral commitment for the repayment of these bonds.

The former Redevelopment Agency assisted in the issuance of \$21,000,000 in Multifamily Housing Refunding Revenue Bonds, Series 2005 A for the purpose of providing funds to make a loan to Bay Street Partners to provide additional financing for the construction of a multifamily residential project know as Bay Street Apartments. This was done in December 2005 and these bonds provided additional financing to the previously issued Multifamily Housing Refunding Revenue Bonds, Series 2002 A. Due to cost overruns in connection with the project, the Borrower requested that the former Redevelopment Agency sell the additional bonds. The former Redevelopment Agency has no legal or moral commitment for the repayment of these bonds.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**f. Insurance**

The Successor Agency is covered under the City of Emeryville's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 13.

**g. Net Position Restatement**

During the current fiscal year, the Agency had the following restatements to net position:

Beginning Net Position has been restated as follows:

Beginning Net Position, as previously reported		\$ (3,646,084)
Restatements:		
Bond Issuance Costs	\$ (1,560,553)	
Rockwood loan	350,000	
Correction to Loans Receivables	(893,604)	<u>(2,104,157)</u>
Beginning Net Position, as restated		<u>\$ (5,750,241)</u>

**h. Commitments and Contingencies**

At June 30, 2013, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

**i. Extraordinary Items**

An extraordinary item was recognized for the transfer of Construction in Process (CIP) assets from the Successor Agency to the City. The CIP was originally transferred to the Successor Agency from the former Redevelopment Agency upon dissolution, however it was later determined that these assets should now be transferred to the City. The total amount of CIP transferred was \$1,465,064 and therefore the Successor Agency has recognized an extraordinary loss and the City has recognized an extraordinary gain for the corresponding amount.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR FISCAL YEAR ENDED JUNE 30, 2013

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**Note 17: Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

**j. Subsequent Events**

Due to the May 9, 2013, decision in *City of Emeryville as Successor Agency to the Emeryville Redevelopment Agency v. Ana J. Matosantos*, and the Notice of Appeal filed July 1, 2013, by the State Deputy Attorney General Ryan Marcroft on the same matter; the Successor Agency and State Department of Finance have entered into a *Stipulation Regarding Finding of Completion* filed on August 12, 2013. This Stipulation states that State Department of Finance will issue a Finding of Completion to the Successor Agency within five business days following the date that the Successor Agency has deposited \$16,408,992.79 into an interest bearing escrow account. Therefore, the Successor Agency has established an interested bearing escrow account with US Bank and deposited \$16,408,992.79 on August 22, 2013. This appeal is expected to be resolved in 2014.

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## APPENDIX F

### CITY OF EMERYVILLE SUPPLEMENTAL INFORMATION

*The following information concerning the City of Emeryville and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

#### General

Emeryville is a city in Alameda County, California. It is located in a corridor between the cities of Berkeley and Oakland, extending to the shore of San Francisco Bay. It is home to Pixar Animation Studios, Peet's Coffee & Tea, Jamba Juice and Clif Bar. In addition, several well-known biotech and software companies have made their home in Emeryville: Electronic Arts' Maxis Software division, LeapFrog, Sendmail, MobiTV, Novartis (formerly Chiron before April 2006), and BigFix (now IBM). The population was 10,491 as of January 1, 2014, although it swells considerably on weekdays due to the city's position as a regional employment center.

The City of Emeryville is small, just over one square mile, but its strategic location in the center of the Bay Area urban core at the confluence of several major freeways, one of the world's busiest bridges, and transcontinental rail lines with service to Seattle, Los Angeles, and Chicago makes it a highly desirable place to live, work, and shop.

#### Organization

The City is a general law city and has operated under the Council-Manager form of government since 1984, with a five-member city council elected at large to staggered four-year terms. Annually, the City Council selects a Mayor and a Vice Mayor.

#### Population

The table below summarizes population of the City and the County for the past five years.

#### POPULATION City of Emeryville and Alameda County

Year	City of Emeryville	County of Alameda
2010	10,080	1,510,271
2011	10,110	1,517,756
2012	10,186	1,530,206
2013	10,278	1,550,119
2014	10,491	1,573,254

Source: California Department of Finance, Demographic Research Unit.



## Employment

The following table summarizes the historical numbers of workers by industry in Alameda County for the last five years:

	2008	2009	2010	2011	2012 <sup>(1)</sup>
Total, All Industries	693,000	648,500	637,200	644,900	659,700
Total Farm	700	700	700	700	600
Total Nonfarm	692,300	647,800	636,400	644,200	659,100
Goods Producing	112,600	97,700	91,900	94,000	96,200
Manufacturing	72,300	64,100	61,500	63,100	62,900
Service Providing	579,700	550,100	544,600	550,100	562,900
Trade, Transportation & Utilities	131,800	121,700	117,600	118,900	121,900
Information	16,100	14,900	14,000	13,600	13,600
Financial Activities	26,100	22,400	22,900	23,000	23,200
Professional & Business Services	113,900	105,200	108,300	111,400	116,900
Educational & Health Services	87,200	87,500	88,000	87,900	90,600
Leisure & Hospitality	56,300	53,900	54,500	56,000	58,300
Other Services	23,700	22,900	23,200	23,300	23,700
Government	124,600	121,200	116,100	116,000	114,800

Source: California Employment Development Department, based on March 2013 benchmark.

(1) Last available full year data.

\*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.

The following tables summarize historical employment and unemployment for Alameda County, the State of California and the United States for the past five years:

**ALAMEDA COUNTY, CALIFORNIA, AND UNITED STATES  
Civilian Labor Force, Employment, and Unemployment  
(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(1)</sup>
2009	Alameda County	761,500	681,600	79,900	10.5%
	California	18,208,300	16,144,500	2,063,900	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	Alameda County	762,600	676,600	86,000	11.3%
	California	18,316,400	16,051,500	2,264,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Alameda County	765,700	686,700	79,000	10.3%
	California	18,384,900	16,226,600	2,158,300	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Alameda County	778,300	708,600	69,700	9.0%
	California	18,494,900	16,560,300	1,934,500	10.5
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Alameda County	783,100	725,000	58,000	7.4%
	California	18,596,800	16,933,300	1,663,500	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4

Source: California Employment Development Department, based on March 2013 benchmark and US Department of Labor, Federal Bureau of Labor Statistics

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

## Major Employers

The table below sets forth the principal employers of the City and the County.

### CITY OF EMERYVILLE 2013 Principal Employers

Employer	Employees	Rank	Percent of Total City Employment
Pixar Animation Studios	1,200	1	5.54%
Norvatis	1,200	1	5.54%
AC Transit	492	3	2.27%
Oaks Card Club	436	4	2.01%
LeapFrog	390	5	1.80%
IKEA	350	6	1.62%
AAA of Northern CA, Nevada, Utah	330	7	1.52%
Clif Bar & Co	287	8	1.33%
Amyris Biotechnologies	234	9	1.08%
Peet's Coffee	231	10	1.07%
TOTAL	5,150		23.78%

Source: City of Emeryville 2013 Comprehensive Annual Financial Report.

**ALAMEDA COUNTY  
2014 Major Employers**

Company	Location	Industry
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Medical Center	Oakland	Hospitals
Alameda County Sheriff's Office	Oakland	Sheriff
Alta Bates Summit Medical Center	Oakland	Hospitals
Alta Bates Summit Medical Center	Berkeley	Hospitals
Bayer Corp	Berkeley	Drug Millers (Mfrs)
Berkeley Coin & Stamp	Berkeley	Coin Dealers Supplies & Etc
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Children's Hospital Health Library	Oakland	Special Interest Libraries
Cooper Vision Inc	Pleasanton	Physicians & Surgeons Equip & Supls-Mfrs
East Bay Water	Oakland	Transit Lines
Highland Hospital	Oakland	Hospitals
Intel Corp	Fremont	Semiconductor Devices (Mfrs)
Kaiser Permanente Hospital	Hayward	Hospitals
Kaiser Permanente Medical Center	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore National Lab	Livermore	Small Arms Ammunition (Mfrs)
Oakland Police Patrol Div	Oakland	Police Departments
Residential & Student Svc Program	Berkeley	Schools-Universities & Colleges Academic
Safeway Inc	Pleasanton	Grocers-Retail
Tesla Motors	Fremont	Automobile Repairing & Service
Transportation Dept-California	Oakland	State Government-Transportation Programs
University of Ca-Berkeley	Berkeley	Schools-Universities & Colleges Academic
Washington Hospital	Fremont	Hospitals
Waste Management	Oakland	Garbage Collection

Source: California Employment Development Department. Data retrieved May 19, 2014.

## Construction Activity

The following tables reflect the five-year history of building permit valuation for the City and the County:

### CITY OF EMERYVILLE Building Permits and Valuation (Dollars in Thousands)

	2008	2009	2010	2011	2012
<u>Permit Valuation:</u>					
New Single-family	\$ 317	\$ 0	\$ 0	\$ 164	\$ 0
New Multi-family	29,352	0	0	1,275	61,141
Res. Alterations/Additions	10,575	2,403	10,606	3,999	4,134
Total Residential	40,245	2,403	10,606	5,438	65,275
Total Nonresidential	73,564	23,631	31,165	62,696	23,009
Total All Building	<u>\$ 113,810</u>	<u>\$ 26,034</u>	<u>\$ 41,772</u>	<u>\$ 68,134</u>	<u>\$ 88,284</u>
<u>New Dwelling Units:</u>					
Single Family	2	0	0	1	0
Multiple Family	125	0	0	5	256
Total	<u>127</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>256</u>

### ALAMEDA COUNTY Building Permits and Valuation (Dollars in Thousands)

	2008	2009	2010	2011	2012
<u>Permit Valuation:</u>					
New Single-family	\$ 238,743	\$ 227,982	\$ 276,660	\$ 269,312	\$ 372,939
New Multi-family	201,122	96,518	157,459	249,684	343,669
Res. Alterations/Additions	285,782	229,873	243,289	273,631	235,264
Total Residential	725,647	554,373	677,409	792,627	951,873
Total Nonresidential	810,434	597,987	564,655	708,958	463,431
Total All Building	<u>\$ 1,536,081</u>	<u>\$ 1,152,360</u>	<u>\$ 1,242,065</u>	<u>\$ 1,501,585</u>	<u>\$ 1,415,304</u>
<u>New Dwelling Units:</u>					
Single Family	761	802	907	817	1,119
Multiple Family	1,296	536	936	1,352	1,508
Total	<u>2,057</u>	<u>1,338</u>	<u>1,843</u>	<u>2,169</u>	<u>2,627</u>

Sources: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

## Commercial Activity

Taxable sales in the County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

### TAXABLE SALES, 2008-2012 ALAMEDA COUNTY (dollars in thousands)

	<u>2008</u>			
Retail Stores				
Apparel Stores				\$ 747,647
General Merchandise				2,126,734
Food Stores				780,311
Eating and Drinking				1,989,406
Household Group				823,075
Building Material Group				1,309,455
Automotive Group				2,329,408
Service Stations				2,030,681
All Other Retail Stores				2,411,035
Retail Stores Totals				<u>14,547,749</u>
Business & Personal Services				959,945
All Other Outlets				8,355,262
Total All Outlets <sup>(2)</sup>				<u>\$ 23,862,957</u>

	<u>2009<sup>(1)</sup></u>	<u>2010<sup>(1)</sup></u>	<u>2011<sup>(1)</sup></u>	<u>2012<sup>(1)(3)</sup></u>
Retail and Food Services				
Motor Vehicles and Parts Dealers	\$ 1,949,009	\$ 2,183,709	\$ 2,405,412	\$ 2,823,697
Furniture and Home Furnishings Stores	410,092	412,979	438,369	474,949
Electronics and Appliance Stores	571,854	575,374	583,234	625,589
Bldg Mtrl. and Garden Equip. and Supplies	1,085,191	1,091,857	1,153,236	1,230,019
Food and Beverage Stores	866,117	884,033	928,190	990,964
Health and Personal Care Stores	415,203	419,672	434,353	440,239
Gasoline Stations	1,491,427	1,716,376	2,135,182	2,291,985
Clothing and Clothing Accessories Stores	878,290	926,611	995,486	1,084,439
Sporting Goods, Hobby, Book and Music Stores	502,870	489,954	484,909	487,666
General Merchandise Stores	1,629,370	1,710,291	1,810,195	1,887,477
Miscellaneous Store Retailers	845,915	900,038	955,440	988,889
Nonstore Retailers	70,906	68,868	74,685	136,755
Food Services and Drinking Places	1,925,171	1,994,522	2,121,605	2,318,686
Total Retail and Food Services	<u>12,641,415</u>	<u>13,374,283</u>	<u>14,519,756</u>	<u>15,781,349</u>
All Other Outlets	7,788,780	8,167,458	8,911,043	9,400,222
Totals All Outlets <sup>(2)</sup>	<u>\$20,430,195</u>	<u>\$21,541,741</u>	<u>\$23,430,799</u>	<u>\$25,181,571</u>

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).

(1) Starting in 2009, categories were revised from prior years.

(2) Totals may not add up due to independent rounding.

(3) Last available full year data.

## Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the years 2008 through 2012.

### CITY OF EMERYVILLE, ALAMEDA COUNTY, STATE AND UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	City of Emeryville	\$ 310,620	\$ 42,147
	Alameda County	38,889,500	55,987
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2009	City of Emeryville	\$ 312,865	\$ 42,146
	Alameda County	40,053,865	57,997
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Emeryville	\$ 318,930	\$ 42,240
	Alameda County	38,097,872	54,734
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Emeryville	\$ 310,187	\$ 42,078
	Alameda County	39,064,682	54,542
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Emeryville	\$ 442,235	\$ 47,884
	Alameda County	43,677,855	55,396
	California	664,088,827	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US), Inc.

## Transportation

The San Francisco Bay Area's network of freeways and expressways gives Emeryville access to regional, national and international markets. Interstate Highway 80 passes through Emeryville. Interstate 580 also passes through Emeryville.

The Bay Area Rapid Transit (BART) commuter rail provides high speed transportation through Alameda, Contra Costa and San Francisco Counties. With stations just minutes away in neighboring Oakland and Berkeley, access to Emeryville is enhanced through connections to Emery-Go-Round free shuttle bus service and AC Transit, serving the East Bay and San Francisco. Emery Go Round is a service of the Emeryville Transportation Management Association, a non-profit organization whose primary purpose is to increase access and mobility to, from and within Emeryville while alleviating congestion through operation of the shuttle program. Emeryville recently opened a multi-modal transportation station that features Amtrak commuter service from Sacramento to San Jose as well as long-haul service.

Oakland and San Francisco Ports provide access to domestic and international shipping. The Port of Oakland, the nation's second largest container port, is adjacent to the City of Emeryville.

Oakland International Airport is located less than ten miles from Emeryville and is served by most major domestic and international carriers. In addition to regularly scheduled passenger airlines, the airport provides substantial aircraft maintenance and overhauling services.

### **Community and Recreational Facilities**

The Emeryville Marina and Marina Park offer a natural setting for leisure and recreational activities. The Davenport Mini-Park, located on Emeryville's peninsula along the shore of San Francisco Bay, has become a popular picnic spot. Connecting the Marina with the Watergate Apartments and a Chevy's Restaurant is a rustic boardwalk and landscaped pathway. Further north along the waterfront is Point Emery, a Bay public access point. The 3.5 acre Temescal Creek Park was completed in 1990 and renovated in 1999, a three acre park at Stanford Avenue and Hollis Street was completed in 1992, and the Christie Avenue Park was completed in 1994. Emeryville's Senior Citizen Center, recently renovated and located in the Veterans' Memorial Building, provides instructional programs, lunches, and social events for older city residents.

The Emeryville Child Development Center on 53rd Street, sponsored and managed by the City, offers a unique program of child care for infants through pre-school age children. The recreation center on San Pablo Avenue provides a variety of recreation programs as well as before and after school care.

### **Education**

The Emery Unified School District administers both primary and secondary education through two city schools. Anna Yates Elementary School, on 41st and Adeline Streets, includes kindergarten through fifth grade. An Extended Day Care facility, run by the City, is located nearby. Emery High School, located at 1100 Forty-Seventh Street, has consolidated with Emery Middle School, and now includes grades six through twelve. The City also has one privately operated elementary school.

### **Health Facilities**

The following general and acute care medical facilities are located a short distance from Emeryville:

- Alta Bates Hospital, Berkeley
- Highland General Hospital, Oakland
- Kaiser Permanente Clinic and Hospital, Oakland
- Summit Medical Center, Oakland
- Children's Hospital, Oakland



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**APPENDIX G**  
**FISCAL CONSULTANT'S REPORT**

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# KEYSER MARSTON ASSOCIATES

## **FISCAL CONSULTANT REPORT EMERYVILLE AND SHELLMOUND PARK PROJECT AREAS**

*Prepared for:*

**SUCCESSOR AGENCY TO THE  
EMERYVILLE REDEVELOPMENT AGENCY**

*Prepared by:*

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**June 17, 2014**

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## 1.0 INTRODUCTION

Keyser Marston Associates, Inc. (KMA) has been retained as Fiscal Consultant to the Successor Agency of the former Emeryville Redevelopment Agency (Successor Agency) to prepare a review of assessed values and a projection of Tax Revenues for the Successor Agency's Emeryville and Shellmound Park Project Areas (collectively, "Project Areas"). The Successor Agency is proposing to issue Refunding Bonds to refund its outstanding tax allocation bonds secured by property tax revenues generated by the Project Areas and allocated to the Redevelopment Property Tax Trust Fund (RPTTF) of the Successor Agency.

Redevelopment agencies in California were dissolved under ABx1 26 enacted June 2011 and amended by AB 1484 enacted June 2012 ("Dissolution Statutes"). Successor Agencies were established to wind-down the affairs of former redevelopment agencies and administer their financial obligations. Prior to the passage of ABx1 26, the California Community Redevelopment Law (CRL) and Article 16, Section 16 of the California Constitution, authorized the former redevelopment agencies to receive that portion of property tax revenue generated from the increase of the current year taxable values over the base year taxable values that existed at the time of adoption of a redevelopment project. This portion of property tax revenue was referred to as tax increment revenue. The CRL provided that tax increment revenue could be pledged by a redevelopment agency for the repayment of bonded indebtedness. Under the Dissolution Statutes, the allocation of tax increment revenues was modified to require County Auditor-Controllers to deposit former tax increment revenues into a Redevelopment Property Tax Trust Fund (RPTTF) for each Successor Agency. Property taxes in the RPTTF are allocated twice yearly for the payment of (1) certain county administrative costs; (2) pass through payments; (3) Enforceable Obligations (as defined in the Dissolution Statutes) of the former redevelopment agency, as identified by dollar amounts on a Recognized Obligation Payment Schedule (ROPS) approved by the Successor Agency's Oversight Board and the State Department of Finance; and (4) administrative costs of the Successor Agency. The distributions are to be paid twice a year on January 2<sup>nd</sup> and June 1<sup>st</sup>. Upon paying for these obligations, ABx1 26 requires County Auditor-Controllers to distribute any remaining RPTTF revenues as property taxes to local government agencies whose tax bases overlap the Project Areas. The Dissolution Statutes also eliminated the previous requirement to set-aside 20% of revenues for affordable housing in a separate housing fund and precludes successor agencies from incurring new financial obligations (with limited exceptions).

The proposed Refunding Bonds are secured by a first lien and pledge of Tax Revenues as defined in the Indenture to include all property taxes allocated to the RPTTF for the Successor Agency from both Project Areas after deduction of payments for (1) certain county administrative costs; and (2) pass through payments to affected taxing agencies pursuant to Health and Safety Code (H&S) § 34183 (a) (1).

This Fiscal Consultant Report has been prepared to reflect the projected amount of future property tax revenues available for allocation to the Successor Agency to fund Enforceable Obligations

based upon reported FY 2013-14 assessed values of the Alameda County Auditor-Controller. The projected taxable values and resulting tax increment revenues for the Project Areas are based on assumptions determined by a review of the taxable value history of the Project Areas and the property tax assessment and property tax apportionment procedures of the County. This Report also includes a review of the redevelopment plan limits of the Project Areas and a review of the historic assessed value trends, major property tax payers, distribution of assessed values by identified land use types, historic property tax allocations, and potential valuation impacts and tax refunds resulting from current assessment appeals.

## 2.0 THE PROJECT AREAS

The Emeryville Project Area was established in 1976 and consists of 503 acres. The Shellmound Project Area was established in 1987 and consists of 270 acres. Together the Project Areas encompass most of the City of Emeryville and represent approximately 93% of the City's assessed value.

### 2.1 Redevelopment Plan Limits

The Redevelopment Plans include specific time limitations on collection of revenue for repayment of debt<sup>1</sup>. The Project Areas each have dollar limits on the cumulative amount of revenue that may be received. The Shellmound Park Redevelopment Plan also establishes a limit on the maximum amount of bonded indebtedness that may be outstanding at any one time. These limits are as follows:

Project Area	Date Project Area Adopted	Time Limit to Repay Debt	Cumulative Revenue Limit	Bonded Indebtedness Limit
Emeryville	July 27, 1976	July 27, 2030	\$942,610,300	None
Shellmound	October 20, 1987	October 1, 2039	\$425,000,000 <i>plus</i> "amounts described within and/or resulting from the entering into reimbursement or other agreements with affected taxing agencies or private entities."	\$180,000,000

### 2.2 Collections toward Cumulative Revenue Limits

*Emeryville Project Area* – Based on tax increment receipt records of the Successor Agency, a total of \$319 million has been received through FY 2012-13 toward the \$942.6 million cumulative revenue limit for the Emeryville Project Area. Based upon the growth assumptions incorporated into the projection, \$677 million or 72% of the \$942.6 million limit is projected to be collected through the FY 2029-30 tax increment receipt time limit for the Emeryville Project Area. The \$942.6 million tax increment revenue limit would be reached prior to the end of the last fiscal year the Successor Agency could receive tax increment to repay debt (FY 2029-30) if

<sup>1</sup> The California Department of Finance (DOF) has advised County Auditor-Controllers, based its interpretation of the Dissolution Statutes, that these limitations are no longer operative and that RPTTF is to be allocated and successor agency debts paid without regard to such limits. Notwithstanding DOF's advice to County Auditor-Controllers, which does not have the force of law, the analyses and projections incorporated into this Report are based on the assumption that these limits remain in force. We are advised that DOF has approved the escrow of RPTTF funds due to tax increment limits where required by bond documents.



assessed values in the Emeryville Project were to grow at a future annual rate of more than approximately 7% per year.

*Shellmound Park Project Area* - Based on tax increment receipt records of the Successor Agency, a total of \$151 million has been received through FY 2012-13 toward the cumulative revenue limit for Shellmound Park. The \$425 million limit for Shellmound Park is increased by amounts paid pursuant to tax sharing agreements of which at least \$32 million has been paid through FY 2012-13<sup>2</sup> resulting in an adjusted limit of \$457 million. Based upon the growth assumptions incorporated into the projection, the tax increment cap for Shellmound would be reached prior to September 1, 2034, the final maturity for the bonds, if assessed values in the Shellmound Park Project Area were to grow at a future annual rate of more than approximately 2.29% per year (at which point the tax increment limit, as adjusted for additional tax sharing payments in the future, is projected to total \$569 million<sup>3</sup>).

The above analysis assumes all gross RPTTF revenue is counted toward the dollar limits on receipt of tax increment including monies redistributed to taxing agencies as “residual”.

### **2.3 Pass Through Obligations**

The following summarizes KMA’s review of the Successor Agency’s pass through obligations.

#### *a. County and Flood Control District Agreement (Shellmound Park)*

The Successor Agency has a contractual pass through agreement with the County and Flood Control District with respect to the Shellmound Park Project. The agreement specifies pass through payments to the County and Flood Control District equal to 32% and 3.679% of former tax increment revenue, respectively. Payments to the County increase to 43.708% of former tax increment commencing in FY 2029-30<sup>4</sup>. However, the pass through agreement also limits payment amounts to no more than the amount of property taxes the County and Flood Control District would have received absent the allocation of revenues to the Successor Agency. The percentage share of property taxes for the County and Flood Control District was reduced subsequent to execution of the agreement as a result of the shift of property tax revenue to the Educational Revenue Augmentation Fund (ERAF) which began in FY 1991-92<sup>5</sup>. According to the Auditor-Controller, the County’s share of property taxes, as reduced for the shift to the ERAF, is currently 22.234% and the Flood Control District’s share is 2.395%. The Auditor-Controller limits payments to no more than the current percentage share of property taxes for

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<sup>2</sup> Reflects payments since FY 2004-05.

<sup>3</sup> Calculated as \$425 million + \$32 million tax sharing FY 04/05 to 12/13 + \$112M future tax sharing payments. Analysis assumes only contractual pass through payments are added to the limit (not statutory).

<sup>4</sup> Plan expiration in October 2029 is reflected as operative trigger date for the increased pass through based on the wording of agreement which states “forty-five years from the inception of the project, or for the duration of the project, or until such time that the debt related to the improvements necessary to achieve the regional benefits.....is retired, whichever comes first”.

<sup>5</sup> The shift of revenue to the ERAF is made at the tax rate area level in Alameda County.

the County and Flood Control District. Payments are senior to debt service on the Refunding Bonds.

*b. AB 1290 Statutory Pass Throughs Triggered by SB 211 (Both Project Areas)*

Statutory pass through payments under AB 1290 were triggered by adoption of ordinances to eliminate the debt incurrence time limitations for the Emeryville and Shellmound Park projects (Ordinances 03-007 and 03-008) as allowed under legislation enacted by SB 211. The statutory pass through obligations (set forth under Health and Safety Code Sections 33607.7 and 33607.5) commence the first year following the fiscal year in which the original debt incurrence time limit would have taken effect for the respective Project Areas. The County and Flood Control District continue to receive the existing contractual pass through payments. Taxing agencies in the Emeryville and Shellmound Park Projects that did not have an existing tax sharing agreement in place (all taxing agencies other than the County and Flood Control District for the Shellmound area) are eligible to receive their allocation of the resulting statutory pass through generated from incremental growth over FY 2003-04 assessed values within the Emeryville Area and over FY 2007-08 values within Shellmound Park, the fiscal years in which the time limits for incurrence of debt would have been reached but for ordinances 03-007 and 03-008. Payments are senior to debt service on the Refunding Bonds.

*c. Taxing Agency Elections Payable Under H&S 33676 (Shellmound Park)*

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 (H&S) Section 33676. The Shellmound Park Project was adopted during the applicable time period. 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). In addition, based on the ruling in Santa Ana Unified School District vs. Orange County Redevelopment Agency, school and community college districts are entitled to the payments even if no election was made at the time of project area adoption. Consistent with this ruling, the County currently deducts payments on behalf of both Emery Unified School District and Peralta Community College District. Payments are senior to debt service on the Refunding Bonds.

*d. County Administrative Fees (Both Project Areas)*

Chapter 466, Statutes of 1990, (referred to as SB 2557) permits the County to withhold a portion of annual tax revenues for the recovery of County charges related to property tax administration services to cities in an amount equal to their property tax administration costs proportionately attributable to cities. SB 2557, and subsequent legislation under SB 1559 (Statutes of 1992), permitted counties to charge all jurisdictions, including redevelopment agencies, on a year-to-

year basis. H&S 34182 (a) (3) also provides for recovery of County costs in connection with performing duties related to the dissolution of redevelopment agencies. The actual FY 2012-13 charges for the Successor Agency equate to 0.95% of gross RPTTF revenues. The projections included on Tables 7.0 to 8.2 assume that the County administrative costs will continue to be charged at approximately 1% of gross revenue in subsequent fiscal years. Payments are senior to debt service on the Refunding Bonds.

It is noted that an Owner Participation Agreement obligation previously in place with the Chiron Corporation, which included a commitment of site-generated tax increment, expired by its own terms when the minimum project, as defined in the agreement, was not constructed by the October 14, 2013 outside date. A second agreement, the Emerystation Greenway Owner Participation Agreement, contained a subordinate<sup>6</sup> commitment of site-generated tax increment which has been paid in full.

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<sup>6</sup> Subordinate to refunding bonds only.

### 3.0 ASSESSED VALUES

#### 3.1 Current Year Assessed Values

The Project Areas' assessed values are prepared annually by the County Assessor and reflect a lien date on the January 1<sup>st</sup> which precedes the beginning of the applicable fiscal year. 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. The Emeryville Project Area corresponds to TRAs 14003 and 14004; the Shellmound Project Area corresponds to TRAs 14001 and 14006.

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 Areas. This results in the reported total current year assessed value and becomes the basis for determining revenues to be allocated to the RPTTF for the Successor Agency. The reported values of the Project Areas for the 2013-14 fiscal year are as follows:

FY 2013-14 Assessed Value	Emeryville Project		Shellmound Park		Total for Successor Agency	
	Assessed Value	% of Total	Assessed Value	% of Total	Assessed Value	% of Total
Secured	\$1,905,788,388	94%	\$1,552,818,226	90%	\$3,458,606,614	92%
Utility	80,604	0%	442,492	0%	523,096	0%
Unsecured	<u>129,584,541</u>	<u>6%</u>	<u>164,225,101</u>	<u>10%</u>	<u>293,809,642</u>	<u>8%</u>
Total Assessed Value	2,035,453,533	100%	1,717,485,819	100%	3,752,939,352	100%
Less: Base Year AV	<u>(110,587,620)</u>	5%	<u>(187,795,640)</u>	11%	<u>(298,383,260)</u>	8%
Incremental Value	1,924,865,913	95%	1,529,690,179	89%	3,454,556,092	92%

The amounts indicated above are net of tax-exempt property<sup>7</sup>.

Secured Property includes property on which any property tax levied by the County becomes a lien on that property. Unsecured Property typically includes the value of tenant improvements, trade fixtures and personal property and reflects depreciation factors on the useful life of such property. Unsecured possessory interest values constitute a right to the possession and use of property for a period of time less than perpetuity.

<sup>7</sup> Except for the homeowner's exemption which is reimbursed to local governments through a State subvention and is included as part of RPTTF revenue.

### 3.2 Real and Personal Property

Real Property, as referred to in this Report, is defined to represent land and improvement assessed values on both the Secured and Unsecured property tax rolls of the 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 and known as the Proposition 13 inflation factor. Real Property values also 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 of the following year. As of the January 1, 2014 property tax lien date for FY 2014-15, the Proposition 13 inflation factor will be 0.454% which is less than the 2% maximum increase. The annual Proposition 13 factor has been less than 2% only seven other times since the enactment of Proposition 13 in 1978 including FY 2010-11 when it was negative for the first time. Three of these occurrences have taken place in the last five years.

Years with Prop 13 Inflation Factors Below 2%	
1983-84	1.000%
1995-96	1.194%
1996-97	1.115%
1999-00	1.853%
2004-05	1.867%
2010-11	-0.237%
2011-12	0.753%
2014-15	0.454%

The assessed value of Personal Property is not subject to the maximum 2% inflationary increase and is subject to annual appraisal, either upward or downward. State assessed Non-Unitary 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.

### 3.3 Historic Taxable Values

Aggregated taxable assessed values for the Project Areas from FY 2008-09 to FY 2013-14 are summarized below. Further detail is provided in attached Tables 1.0 to 1.2.

## Historic Taxable Assessed Value

	Emeryville Project		Shellmound Park		Total for Successor Agency	
	Assessed Value	%change	Assessed Value	%change	Assessed Value	%change
2008-09	\$2,244,451,858		\$1,546,537,601		\$3,790,989,459	
2009-10	2,262,389,328	0.8%	1,572,020,269	1.6%	3,834,409,597	1.1%
2010-11	2,243,251,020	-0.8%	1,574,623,947	0.2%	3,817,874,967	-0.4%
2011-12	1,927,323,542	-14.1%	1,615,405,649	2.6%	3,542,729,191	-7.2%
2012-13	1,924,761,263	-0.1%	1,700,057,011	5.2%	3,624,818,274	2.3%
<b>2013-14</b>	<b>2,035,453,533</b>	<b>5.8%</b>	<b>1,717,485,819</b>	<b>1.0%</b>	<b>3,752,939,352</b>	<b>3.5%</b>
5-Year Annualized % Change		-1.9%		2.1%		-0.20%

Aggregate values for the Project Areas were approximately flat over the period from 2008-09 to 2013-14, after having declined in years FY 2010-11 and 2011-12 followed by a recovery in FY 2012-13 and 2013-14. Declines in taxable values occurred in the Emeryville Project Area. Shellmound Park maintained positive growth in each of the five years.

Factors contributing to the 14.1% decline in assessed value for the Emeryville Project Area from FY 2010-11 to FY 2011-12 are summarized in the table below. The single largest factor was the deed in-lieu of foreclosure transfer of three of four towers in the Watergate offices to lender U.S. Bank and subsequent sale to Emeryville Office LLC at a price approximately \$120 million below the property's FY 2010-11 assessed value. Other contributing factors include Assessor market value adjustments to office and condominium assessed values under Proposition 8 (see further discussion of Prop 8 below), removal of business property by Novartis, condo sales at prices below their 2010-11 assessed values, and removal of four parcels from the tax roll as a result of acquisition by the former Emeryville Redevelopment Agency.

Contributing Factors to the Decline in Emeryville Project Area Assessed Value FY 2010-11 to FY 2011-12	Affected Parcels	Net Change in Assessed Value: FY 10-11 to 11-12
Watergate Offices: Change of Ownership (3 of 4 towers)*	4	(\$116,302,503)
Watergate Offices: Prop 8 Adjustment by Assessor (1 of 4 towers)	1	(70,439,826)
Emery Bay Offices: Prop 8 Adjustment by Assessor	3	(59,146,425)
Novartis: Removal of Business Personal Property	1	(21,682,160)
ASN Emeryville: Prop 8 adjustment following stipulated appeal	2	(20,730,253)
Condos: Prop 8 Adjustments by Assessor	1,709	(54,265,905)
Condo sales at prices below their FY 10-11 assessed value	167	(5,271,426)
Redevelopment Agency Acquisitions (removal from tax roll)	4	(4,958,092)
Secured Roll Changes – all other (net)		6,089,989
Unsecured Roll Changes (net)		30,779,123
<b>Total Net Decrease in Emeryville Project AV: 2010-11 to 2011-12</b>		<b>(\$315,927,478)</b>

\*Assessed Value adjusted from \$253 million to \$137 million following deed in-lieu of foreclosure transfer of three of four office towers to U.S. Bank and subsequent sale to Emeryville Office LLC for \$130 million.

### 3.4 Temporary Declines in Market Value Reflected on FY 2013-14 Roll

In 1978, a Constitutional amendment was passed by the California voters (Proposition 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.

Pursuant to Proposition 8, the 2013-14 assessment roll prepared by the Alameda County Assessor reflects downward adjustments to assessed values affecting approximately 28% of parcels in the Project Areas with an aggregate net reduction to assessed value of \$365 million below the Proposition 13 values. Approximately 61% (by value) of the total Prop 8 adjustments apply to residential property.

Properties with Prop 8 Temporary Reductions in Value FY 2013-14	Affected Parcels	Maximum Assessed Value Under Prop 13	2013-14 Value With Prop 8 Adjustment For Temporary Market Decline	Net Reduction Due to Temporary Market Decline
Emeryville	816	\$808,599,789	\$546,974,500	\$261,625,289
Shellmound Park	284	437,712,741	334,160,000	103,552,741
Total	1,100	1,246,312,530	881,134,500	365,178,030

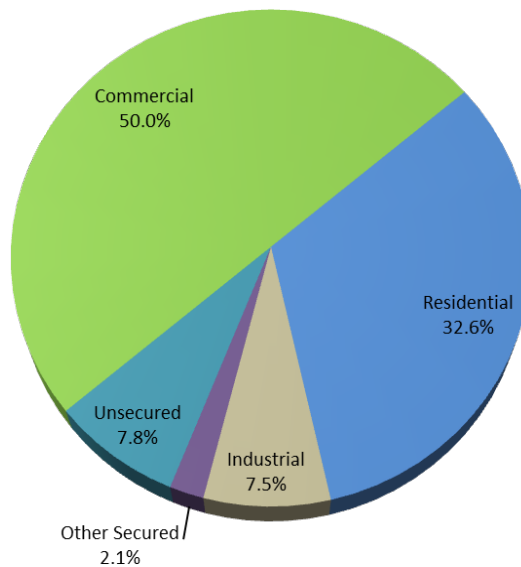
### 3.5 Values by Property Use

A distribution of 2013-14 taxable assessed values by County Assessor-designated land use for the Project Areas is summarized below with additional detail presented on attached Tables 2.0 to 2.2. The analysis is based upon the County Assessor's land use classification system for the secured roll. (The Alameda County Assessor does not retain a land use code for the unsecured roll.) Commercial properties account for 50% of aggregate 2013-14 taxable value; residential uses account for approximately 33%; industrial properties account for 7%; and unsecured assessments and other secured uses account for the remaining 10% of taxable value.

FY 2013-14 Taxable Value by Land Use	Emeryville Project		Shellmound Park		Total for Successor Agency	
	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total
Commercial	\$946,361,286	46.5%	\$930,258,600	54.2%	\$1,876,619,886	50.0%
Residential: Single Family	47,422,821	2.3%	7,315	0.0%	47,430,136	1.3%
Residential: Multifamily	757,161,793	37.2%	417,678,053	24.3%	1,174,839,846	31.3%
Industrial	129,931,352	6.4%	153,273,124	8.9%	283,204,476	7.5%
Other Secured	24,991,740	1.2%	52,043,626	3.0%	77,035,366	2.1%
Unsecured	129,584,541	6.4%	164,225,101	9.6%	293,809,642	7.8%
<b>Total</b>	<b>2,035,453,533</b>	<b>100%</b>	<b>1,717,485,819</b>	<b>100%</b>	<b>3,752,939,352</b>	<b>100%</b>

Note: Number of parcels by land use and more detailed breakout of land uses are provided on attached Tables 2.0 to 2.2.

### Successor Agency Taxable Assessed Value by Land Use



### 3.6 Ten Largest Taxpayers

The ten largest taxpayers in the each of the Project Areas and both project areas combined, is presented on Tables 3.0 to 3.2 and summarized below. The ten largest tax payers were identified by KMA based upon a review of the FY 2013-14 locally assessed secured and unsecured taxable valuations reported by the County Auditor-Controller. Tables 3.0 to 3.2 include the taxpayer name, designated land use, parcel count, assessed value, and percentage share of the total reported and incremental assessed value. Multiple legal entities associated with a single ownership are aggregated; for example, Wareham Development has nine separate legal entities related to its portfolio of properties in the Project Areas which are aggregated for purposes of the analysis of top taxpayers (see notes to Tables 3.0 to 3.2 for details).



Top 10 Taxpayers for Successor Agency FY 2013-14	Number of Parcels	Assessed Value For FY 2013-14			% of Total AV*	% of AV Incr.**
		Secured	Unsecured	Total		
1 Novartis*	22	\$287,673,946	\$16,756,983	\$304,430,929	8.1%	8.8%
2 Wareham Development *	14	260,131,085	102,062	260,233,147	6.9%	7.5%
3 Pixar Animation Studios*	7	257,107,403	407,443	257,514,846	6.9%	7.5%
4 Madison Marquette*	14	211,038,758	4,245,902	215,284,660	5.7%	6.2%
5 Emeryville Office LLC	4	142,015,120	-	142,015,120	3.8%	4.1%
6 BRE Properties*	5	111,459,157	21,207	111,480,364	3.0%	3.2%
7 STRS Ohio (the Courtyards)*	1	104,333,306	-	104,333,306	2.8%	3.0%
8 Hines REIT Watergate LP*	2	97,044,474	-	97,044,474	2.6%	2.8%
9 Bay Center Investor LLC	3	88,900,000	-	88,900,000	2.4%	2.6%
10 Windsor Metropolitan LP	1	82,836,491	-	82,836,491	2.2%	2.4%
<b>Total Top 10 Taxpayers</b>	<b>73</b>	<b>1,642,539,740</b>	<b>21,533,597</b>	<b>1,664,073,337</b>	<b>44.3%</b>	<b>48.2%</b>

\*Taxpayer has filed an assessment appeal for FY 13-14. See Section 4.2 for details.

\*\*Percentages calculated based on FY 2013-14 Successor Agency total assessed value of \$3,752,939,352 and incremental assessed value of \$3,454,556,092.

*Successor Agency Total* – The ten largest taxpayers for FY 2013-14 represent 44% of total assessed value for the Successor Agency and 48% of incremental assessed value as shown above.

*Emeryville Project Area* – Table 3.1 summarizes the Top 10 taxpayers for the Emeryville Project Area. Total assessed value of the ten largest taxpayers in the Emeryville Project Area amounts to \$1.0 billion and represents 49% of the Project Area's total assessed value and 52% of the Project Area's incremental value.

*Shellmound Park* – Table 3.2 summarizes the Top 10 taxpayers for the Shellmound Park Project Area. Total assessed value of the ten largest taxpayers in Shellmound Park amounts to \$1.1 billion and represents 66% of the Project Area's total assessed value and 74% of incremental assessed value.

#### 4.0 ASSESSMENT APPEALS

Property values determined by the County Assessor may be subject to an appeal by the property owner. Assessment appeals are filed annually with the County Assessment Appeals Board for a hearing and resolution. A property owner can file for a regular assessment appeal of the current fiscal year assessed valuation between July 2 and September 15. Most appeals heard by an Assessment Appeals Board are scheduled within twelve to eighteen months and residential appeals heard by a Hearing Officer are scheduled within six-nine months. Revenue and Taxation Code §1604, however, allows up to two years for an assessment appeal to be decided unless this time limit is waived by the applicant. If not decided within the two year statutory time frame, the assessor is required to apply the applicant's opinion of value.

The majority of appeal filings in the Project Areas are Proposition 8 appeals which relate to temporary declines in market value. Assessed value reductions as a result of Prop 8 appeals are subject to annual review by the Assessor and potential restoration over time based on future increases in market value. "Base year" appeals contest changes in assessed value arising from re-assessable events such as transfer of ownership or new construction. Assessed value reductions as a result of "Base Year" appeals affect the maximum assessed value under Proposition 13 on an on-going basis.

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. Alameda County's tax apportionment procedures effectively hold Redevelopment Property Tax Trust Funds harmless from tax refunds due to assessment appeals; therefore, the risk from appeals is the potential future reduction in assessed value and generation of future RPTTF. In Alameda County, property tax refunds arising from assessment appeals are apportioned by the Auditor-Controller to taxing agencies based upon the AB 8 property tax revenue apportionment factors for each taxing agency. Allocation of revenues to the RPTTF is made outside of the AB 8 property tax apportionment process, as such, no appeal refunds are allocated to the RPTTF. This practice is not universal among California counties and some counties do track appeal refunds at the tax rate area level so that refunds occurring within redevelopment project areas may be allocated to the RPTTF for the applicable successor agency. It is possible that Alameda County could revise this practice in the future.

KMA researched the status of assessment appeals filed by property owners in the Project Areas based upon the latest information available from the County Appeals Board database for FY 2005-06 through 2013-14<sup>8</sup>.

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<sup>8</sup> Data for FY 2008-09 through 2013-14 appeals was provided March 26<sup>th</sup> 2014 and data for FY 2005-06 through 2007-08 appeals was provided May 19<sup>th</sup> 2014.

#### 4.1 Historic Appeals Filing Outcomes: 2005-06 to 2011-12

The table below summarizes assessment appeal filing outcomes within the Project Areas during the years 2005-06 to 2011-12 including Secured and Unsecured Roll appeals. The County Assessment Appeals Board database includes 1,151 resolved appeal filings in the Project Areas for fiscal years 2005-06 through 2011-12<sup>9</sup>. As shown below, 25% of resolved appeal filings were reduced or stipulated, while 75% were subsequently denied or withdrawn.

##### Assessment Appeal Filing Outcomes: FY 2005-06 to FY 2011-12

Fiscal Year	Resolved Appeal Filings			Open Filings
	Resolved Total	Stipulated or Reduced	Denied or Withdrawn	
2005-06	57	19	38	0
2006-07	119	15	104	0
2007-08	105	18	87	1
2008-09	211	32	179	5
2009-10	333	104	229	5
2010-11	216	51	165	16
2011-12	110	43	67	25
<b>Total</b>	<b>1,151</b>	<b>282</b>	<b>869</b>	<b>52</b>
% of Total	100%	25%	75%	

Resolved appeals in the Project Areas during FY 2005-06 to 2011-12 had an aggregate contested value of \$12.3 billion and resulted in an assessed value reduction of \$989 million which represents an average net reduction of 8.1%.

##### Assessment Appeal Valuation Impact: FY 2005-06 to FY 2011-12 (Resolved Filings)

Fiscal Year	No. of Resolved Records	Assessor / Roll Value (\$Millions)	Applicant Opinion of Value (\$Millions)	Resolved Value (\$Millions) <sup>10</sup>	Net Reduction in Value (\$Millions)	Average % Reduction
2005-06	57	\$909	\$640	\$848	\$61	6.7%
2006-07	119	1,644	1,050	1,607	37	2.3%
2007-08	105	1,030	551	942	88	8.6%
2008-09	211	1,827	1,180	1,762	65	3.5%
2009-10	333	3,090	1,418	2,670	420	13.6%
2010-11	216	2,382	1,140	2,175	207	8.7%
2011-12	110	1,396	775	1,285	111	7.9%
<b>Total</b>	<b>1,151</b>	<b>\$12,277</b>	<b>\$6,754</b>	<b>\$11,289</b>	<b>\$989</b>	<b>8.1%</b>

Some major property owners in the Project Areas show a pattern of filing assessment appeals each and every year. For example, the top four taxpayers have all filed assessment appeals in

<sup>9</sup> FY 2012-13 appeal filings are excluded from this summary because open pending appeals represent 84% of the total filings and therefore cannot be used for this historic trend.

<sup>10</sup> Resolved value for appeals that were denied or withdrawn is represented at the contested value since no reduction was approved by the Assessment Appeals Board.

each of the last five fiscal years. In FY 2009-10, during the recent recession, the Project Areas experienced a spike in assessment appeal filings with the number of filings increasing by approximately 100% and the aggregate assessed valuation subject to an appeal increasing approximately 75% over the seven-year average for the historic period reviewed.

For a summary of historic appeal resolutions by Project Area, see attached Tables 4.1 and 4.2.

## **4.2 Estimated Value Reductions from Pending Assessment Appeals**

### *Methodology*

KMA's summary of pending assessment appeals and estimates of reductions in assessed value resulting from resolution of pending assessment appeals is presented in Tables 4.3 and 4.4 including KMA's appeal resolution assumptions for each pending appeal. 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 would ultimately be withdrawn, denied, or rejected. Therefore, KMA estimated the Assessed Value reduction for all outstanding appeals based upon the following methodology:

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, 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.
3. If no history of prior appeal resolutions specific to a particular parcel or an applicant is available, an adjustment of the Assessed Value to the greater of either the applicant's opinion of value or 79% of the contested value was used (this 21% reduction was based on 260 appeal filings that were either stipulated or reduced in both Project Areas from 2005-06 to 2011-12).

The intentional decision to assume every identified appeal will result in an assessed value reduction is a very conservative approach since, historically, only approximately 25% of appeals have been stipulated or reduced.

*Summary of Pending Appeals*

There are 256 open appeals in the Project Areas of which 86 are to contest current year FY 2013-14 assessed values<sup>11</sup>. The aggregate contested value for FY 2013-14 roll appeals totals \$1.65 billion. A combined \$850 million reduction in assessed value is requested for FY 2013-14.

**Pending Assessment Appeals**

	No. of Open Appeals	Contested Value Represented (\$Millions)	Applicant Opinion of Value (\$Millions)	Applicant Requested Net Reduction in Value (\$Millions)
<b>Current: 2013-14</b>	<b>86</b>	<b>\$1,655</b>	<b>\$805</b>	<b>\$850</b>
Prior years	<u>170</u>	<u>2,388</u>	<u>1,140</u>	<u>1,247</u>
Total	256	4,043	1,946	2,097

*Estimated Reduction in Assessed Valuation from Pending Appeals*

As shown below, if all of the open appeals were stipulated to the values estimated by KMA, the resulting projected FY 2014-15 reduction to assessed value is \$254 million. This estimated reduction in assessed values is based on appeals pertaining to FY 2013-14 assessed valuations. For properties with pending appeal filings for both FY 2013-14 and for prior years, the projected resolution of the FY 2013-14 appeal is assumed to be the most relevant basis for representing the potential future year assessed value reduction. For properties where FY 2013-14 assessed values are uncontested, no adjustment is assumed to be warranted, notwithstanding prior year pending appeals. As shown below, the majority of pending appeals are Prop 8 filings relating to temporary declines in market 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 on Tables 7.0 to 8.2, the estimated reductions are assumed to be permanent.

<sup>11</sup> Seven appeals filings for FY 2013-14 and six prior year filings are not included this summary because they represent either repeat filings for the same parcel and tax year or no reduction in assessed value is represented.

## Projected Assessed Value Reduction from Pending Appeals

	No. of Pending Appeals 2013-14	Contested Assessed Value (\$Millions)	Applicant Opinion of Value (\$Millions)	Projected Resolved Value (\$Millions)	Projected Net Reduction in Value (\$Millions)	Projected %Reduction from Contested Value
<u>Prop 8 Filings*</u>						
Emeryville	28	\$631	\$255	\$541	(\$90)	14.3%
Shellmound Park	<u>37</u>	<u>841</u>	<u>436</u>	<u>699</u>	<u>(142)</u>	<u>16.9%</u>
Subtotal	65	1,472	691	1,240	(232)	15.8%
<u>Other Appeals**</u>						
Emeryville	15	130	88	109	(21)	16.0%
Shellmound Park	<u>6</u>	<u>53</u>	<u>27</u>	<u>52</u>	<u>(1)</u>	<u>1.9%</u>
Subtotal	21	183	114	162	(22)	11.9%
<b>Total</b>	<b>86</b>	<b>\$1,655</b>	<b>\$806</b>	<b>\$1,401</b>	<b>(\$254)</b>	<b>15.4%</b>

\* Prop 8 appeals relate to temporary declines in market value and are subject to restoration as market valuations increase.

\*\* Other appeal types include base year and supplemental assessment appeals.

The analysis of open assessment appeal filings results in a projected reduction in the contested value of 15.4%, which is a conservative estimate given assessment appeal filings have historically only resulted in an average net assessed value reduction of 8.1%.

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.

### *Portion of Pending Appeals Filings Applicable to the Top 10 Taxpayers*

The table below summarizes pending appeal filings for FY 2013-14 by the top 10 taxpayers (which is a subset of the total appeal filings presented above). As shown, of the 86 pending FY 2013-14 appeal filings, 57 are by members of the top 10 taxpayers list. Of the \$254 million projected net reduction in assessed value for FY 2014-15 identified above, \$241 million (95%) applies to the top 10 taxpayers.

Portion of Pending Appeal Filings for FY 2013-14 Applicable to the Top 10 Taxpayers	Pending Appeals 2013-14	Contested Assessed Value (\$Millions)	Applicant Opinion of Value (\$Millions)	Projected Resolved Value (\$Millions)	Projected Net Reduction in Assessed Value (\$Millions)
Novartis*	29	\$462*	\$154	\$380	(\$82)
Wareham Development	4	226	195	214	(\$12)
Pixar Animation Studios	3	251	108	176	(\$76)
Madison Marquette	13	211	63	195	(\$16)
Hines REIT Watergate LP	1	97	60	97	\$0
BRE Properties	1	91	46	68	(\$23)
STRS Ohio (the Courtyards)	1	104	50	82	(\$22)
Archstone**	2	48	44	44	(\$4)
IKEA Property, Inc.***	3	38	19	30	(\$8)
<b>Total</b>	<b>57</b>	<b>\$1,528</b>	<b>\$738</b>	<b>\$1,287</b>	<b>(\$241)</b>

\* Contested value applicable to Novartis appeal filings exceeds assessed value of property under Novartis ownership due to appeal filings for leased space. In fact, both Novartis and Hines filed appeals with respect to the Hines REIT Watergate Tower (estimated assessed value reduction reflected once).

\*\* Top 10 taxpayer for Emeryville Project Area Only.

\*\*\* Top 10 taxpayer for Shellmound Project Area Only.

## **5.0 TAX ALLOCATION AND DISBURSEMENT**

### **5.1 Tax Rates**

The tax rates which are applied to taxable values consist of two components: the basic levy of \$1.00 per \$100 of taxable values and the override tax rate which is levied to pay voter approved indebtedness. The basic levy may not exceed 1% (\$1.00 of \$100 taxable value) in accordance with Article XIII A. Prior to dissolution, the former Emeryville Redevelopment Agency's tax rate included the basic one percent levy and two debt service override levies approved by voters prior to 1989 for East Bay Regional Park and the East Bay Municipal Utility District. Commencing with dissolution, the Alameda County Auditor-Controller ceased allocating override levies to the Successor Agency's Redevelopment Property Tax Trust Fund based on H&S Code 38183(a)(1) added by the Dissolution Statutes<sup>12</sup>. Accordingly, a one percent levy is applied in the projections presented on Tables 7.0 to 8.2.

### **5.2 Allocation of Taxes**

Secured taxes are due in two equal installments and become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County Auditor-Controller is responsible for the aggregation of 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 the revenue deposited to the RPTTF of the Successor Agency.

Property tax revenues deposited to the RPTTF (former tax increment revenues) are distributed to the Successor Agency by the County Auditor-Controller twice annually on January 2<sup>nd</sup> and June 1<sup>st</sup> in accordance with the Dissolution Statutes. The January RPTTF distribution includes 50% of current year secured and unsecured property tax revenues. The remaining 50% of secured and unsecured taxes is allocated with the June RPTTF distribution. RPTTF funds are allocated first to County administrative costs, then pass through payments, and next for Successor Agency enforceable obligations on approved Recognized Obligation Payment Schedules. The County's current practice is to allocate approximately half of the annual administrative costs and pass through amounts to each semi-annual distribution, resulting in approximately equal amounts of RPTTF revenue available for enforceable obligations with each semi-annual distribution. RPTTF funds that remain after the allocation for enforceable obligations are distributed to affected taxing entities. The County's administrative expenses and pass through payments are senior to debt service on the Refunding Bonds.

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<sup>12</sup> Implementation of the portion of H&S 34183(a)(1) restricting deposits to the RPTTF to the basic 1% levy was successfully challenged in Santa Clara County by the City of San Jose (Sacramento County Superior Court Case No. 34-2012-80001190). The case is currently on appeal.



### **5.3 Unitary Tax Revenues**

Most public utility properties are currently assessed as a single unit on a countywide basis (referred to as Unitary values). 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, the allocation of taxes is reduced pro-rata County-wide; and (3) any increase in revenue above 2% is allocated in the same proportion as the taxing entity's local secured taxable values are distributed to the local secured taxable values of the County. The actual amount of Unitary revenue allocated to the RPTTF for FY 2012-13 was \$103,900 for the Emeryville Project Area and \$28,120 for the Shellmound Project Area (see also Tables 6.0 and 6.1 for a six year history). Unitary revenue is projected to stabilize at the amounts noted above over the term of the projection.

### **5.4 Tax Receipts to Tax Levy**

Alameda County's present policy is to allocate revenues to the RPTTF based upon 100% of the calculated revenue. Under this policy (Teeter Plan), the RPTTF is held harmless from delinquent taxes and the County retains the prior year redemption payments, plus penalties and interest, when delinquent taxes are collected. As described in Section 4.0, Successor Agency RPTTF funds are also held harmless from appeal related refunds.

Tables 5.1 and 5.2 represent a summary comparison of computed tax levy to actual allocations made by the County Auditor-Controller from FY 2008-09 through FY 2013-14. As shown, the RPTTF for the Successor Agency is allocated 100% of the computed levy consistent with County policy. The revenue projections assume the County will continue to allocate 100% of the calculated RPTTF revenue in the future.

### **5.5 Historic Tax Revenues**

A summary of actual total Tax Revenues for the period FY 2008-09 through 2013-14 is presented below with additional details including breakout by project area provided on Tables 6.0 and 6.1. Table 6.0 also includes a summary of the post-dissolution allocations of RPTTF to the Successor Agency for payment of approved enforceable obligations and the "residual" RPTTF amount distributed to taxing agencies.

<b>Historic Tax Revenues* (\$Thousands)</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Assessed Value*	\$3,790,989	\$3,834,410	\$3,817,875	\$3,542,729	\$3,624,818	\$3,752,939
Base Year Value*	<u>(298,383)</u>	<u>(298,383)</u>	<u>(298,383)</u>	<u>(298,383)</u>	<u>(298,383)</u>	<u>(298,383)</u>
Incremental AV*	3,492,606	3,536,026	3,519,492	3,244,346	3,326,435	3,454,556
Tax Rate**	1.016%	1.017%	1.015%	1.007%	1.000%	1.000%
Secured / Unsecured Unitary	35,494 99	35,970 95	35,731 98	32,657 121	33,264 132	34,546 105
Supplemental / Other Gross Revenue	<u>2,932</u> 38,525	<u>720</u> 36,786	<u>1,868</u> 37,698	<u>247</u> 33,026	<u>(127)</u> 33,270	<u>727</u> 35,377
County Admin***	(235)	(271)	(285)	(265)	(339)	(341)
Pass Throughs***	(6,253)	(6,383)	(5,369)	(5,437)	(5,666)	(6,115)
Tax Revenues	\$32,037	\$30,133	\$32,044	\$27,324	\$27,265	\$28,921

\*Combined for both Project Areas

\*\*Weighted average of secured and unsecured tax rates. See Tables 5.1 and 5.2 for break out.

\*\*\*Non-subordinate.

The decline in Tax Revenues from FY 2010-11 to 2011-12 was the result of three factors:

- a. A 7% decline in taxable assessed values as presented on Tables 1.0 to 1.2 (Section 3.3 describes the factors contributing to this decline);
- b. Following dissolution, the County Auditor-Controller began to exclude levies in excess of the basic 1% tax rate from amounts deposits to the RPTTF (see Section 5.1); and
- c. Reduced supplemental and other revenues.

## 6.0 NEW DEVELOPMENT AND TRANSFERS OF OWNERSHIP

### 6.1 New Development

New construction in the Project Areas occurring after the January 1, 2013 lien date for the FY 2013-14 assessment roll and projects anticipated to start construction near-term are summarized below based on regularly updated project status reports prepared by the City of Emeryville. Anticipated increases in assessed value from the identified projects are not reflected for purposes of the Table 7.0 to 8.2 revenue projections.

#### *Projects Currently Under Construction:*

- *Marketplace Redevelopment Phase IA* – 193 Apartments commenced construction January 2013. Project located at 64<sup>th</sup> and Christie in the Emeryville Project Area.
- *Parkside Project* – 168 apartment, 5 live-work, 3 flex space units and 10,000 square feet of retail commenced construction fall 2012. Project located at Powell and Hollis streets in the Emeryville Project Area.
- *Ocean Avenue Townhomes* – 5 new townhomes currently under construction located at 1276 Ocean Avenue in the Emeryville Project Area.

#### *Expected to Commence Construction Near Term (Building Permit Application Submitted):*

- *The Intersection Mixed Use ("Maz")* –105 apartment units and renovation of an existing 22,000 square feet commercial building. Building permit application submitted December 2013. Project located at 3800 San Pablo Avenue at Adeline in the Emeryville Project Area (except for approximately 25% of the project site that is in the City of Oakland).
- *39th and Adeline Project* – 101 apartment units and 1,000 square feet of retail. Project located at 39<sup>th</sup> and Adeline in the Emeryville Project Area (except for approximately 25% of the project site that is in the City of Oakland).

In total there are 371 residential units currently in construction and an additional 206 units for which a building permit application has been submitted for a total of 577 units. Not included in the above summary are other significant development projects at earlier stages of the planning and entitlement process, smaller scale projects, and construction by non-profit and governmental agencies exempt from property taxes.

## 6.2 Transfers of Ownership

KMA reviewed transfers of ownership activity in the Project Areas since the January 1, 2013 lien date for the FY 2013-14 assessment roll utilizing data from the commercial data provider Costar. Below is a summary of major identified transfers of ownership in the Project Areas inclusive of transactions above \$5 million.

- *East Bay Bridge Shopping Center* – This 453,000 square foot shopping center sold on January 2<sup>nd</sup> 2013 for \$116.6 million, \$23.3 million more than the FY 2013-14 assessed value for the property of \$93.3 million. Approximately 67% of the property’s assessed valuation is in the Emeryville Project Area, the balance is in the City of Oakland.
- *Novartis Transfusion Diagnostics Unit* – A sale involving an entire business unit of Novartis including all patents, brands, licenses, and real property located in Emeryville, Switzerland, Hong Kong, and elsewhere sold on January 9<sup>th</sup> 2014 for \$1.675 billion to Grifols USA LLC, a subsidiary of Grifols headquartered in Barcelona, Spain. The sale price cannot be readily allocated between real property located in the Project Areas and other assets that are part of the transaction. The Novartis properties are located primarily in the Emeryville Project Area.
- *Hyatt House Hotel* – This 234 room hotel was sold as part of a bulk portfolio sale involving 10 hotel properties in four states. The portion of the total sale price applicable to the Emeryville property is identified as \$39.3 million, \$4 million more than the FY 2013-14 assessed value for the property of \$35.3 million. The property is located in the Emeryville Project Area.

In addition to the above identified sales, the City is aware of a pending transaction with respect to the Bay Street shopping center property, a 400,000 square foot retail center owned by Madison Marquette, and located in the Shellmound Park Project Area (sale price information for this pending transaction is not available). Changes in assessed value from the above identified transfer of ownership activity are not reflected for purposes of the Table 7.0 to 8.2 revenue projections.

## 7.0 REVENUE PROJECTION

The projection of Successor Agency RPTTF revenues is summarized below and included on attached Tables 7.0 through 8.2. Two versions of the projection are presented: a “2% growth” scenario reflecting the maximum allowable inflationary increase under Prop 13 and a “no growth” scenario that holds assessed values constant over the term of the projection.

### Projection of Tax Revenues Available for Debt Service

Fiscal Year	Tax Revenues (\$Thousands) 2% Growth Projection			Tax Revenues (\$Thousands) No Growth Projection		
	Emeryville Project	Shellmound Park Project	Total for Successor Agency	Emeryville Project	Shellmound Park Project	Total for Successor Agency
	<i>from Table 7.1</i>	<i>from Table 7.2</i>		<i>from Table 8.1</i>	<i>from Table 8.2</i>	
2013-14*	\$17,903	\$10,364	\$28,267	\$17,903	\$10,364	\$28,267
2014-15	17,083	9,531	26,614	17,015	9,490	26,505
2015-16	17,367	9,691	27,058	17,015	9,490	26,505
2016-17	17,657	9,853	27,510	17,015	9,490	26,505
2017-18	17,944	10,019	27,963	17,015	9,490	26,505
2018-19	18,191	10,162	28,353	17,015	9,490	26,505
2019-20	18,444	10,307	28,751	17,015	9,490	26,505
2020-21	18,701	10,452	29,154	17,015	9,490	26,505
2021-22	18,964	10,601	29,565	17,015	9,490	26,505
2022-23	19,232	10,752	29,984	17,015	9,490	26,505
2023-24	19,505	10,907	30,412	17,015	9,490	26,505
2024-25	19,784	11,064	30,849	17,015	9,490	26,505
2025-26	20,069	11,225	31,294	17,015	9,490	26,505
2026-27	20,359	11,389	31,748	17,015	9,490	26,505
2027-28	20,655	11,556	32,211	17,015	9,490	26,505
2028-29	20,957	11,727	32,683	17,015	9,490	26,505
2029-30	21,264	11,901	33,165	17,015	9,490	26,505
2030-31	0	12,078	12,078	0	9,490	9,490
2031-32	0	12,259	12,259	0	9,490	9,490
2032-33	0	12,444	12,444	0	9,490	9,490
2033-34	0	12,632	12,632	0	9,490	9,490
2034-35	0	12,824	12,824	0	9,490	9,490
2035-36	0	13,020	13,020	0	9,490	9,490
2036-37	0	13,220	13,220	0	9,490	9,490
2037-38	0	6,939**	6,939**	0	9,490	9,490
2038-39	0	0	0	0	9,490	9,490

\*FY 13-14 Tax Revenues shown in the revenue projection are less than the actual total collections presented in Section 5.5 and Tables 6.0 and 6.1 because supplemental and other revenues are not included for purposes of the revenue projections.

\*\*Tax increment cap projected to be reached.

Tax Revenues presented in the projections represent the amount available for debt service computed as Gross RPTTF Revenue less (1) the County’s property tax collection costs and administrative expenses authorized under AB x1 26; and (2) pass through obligations. As discussed previously, allocation of revenues to the Successor Agency occurs semi-annually on

January 2<sup>nd</sup> and June 1<sup>st</sup> to the extent of the enforceable obligations payable from RPTTF funds as reported on approved Recognized Obligation Payment Schedules. Remaining RPTTF revenues in excess of reported enforceable obligations, if any, are distributed as property taxes to identified affected taxing entities on each semi-annual distribution date.

The projections commence with the current 2013-14 fiscal year and incorporates the valuation assumptions previously discussed in this report. The projection is separated into Real Property and Personal Property values. The 2% growth scenario incorporates the reported inflationary factor of 0.454% for 2014-15 and assumes future inflationary growth commencing in 2015-16 will be 2% per year. No increase in assessed value has been reflected in the projections based on new development. Personal Property values are assumed to remain constant. The projections include an assumed reduction in assessed value for pending appeals as described in Section 4.2.

The projections do not reflect the potential future implementation by the County Auditor-Controller of H&S 34187 which requires funds associated with retired enforceable obligations to be reallocated to taxing agencies as regular property taxes and not deposited into the RPTTF for the Successor Agency at all (however, H&S 34187(a) (2) provides for retention of funds by the Successor Agency to the extent needed for payment of enforceable obligations upon authorization by the California Department of Finance).

The projections assume that existing time and dollar limits on receipt of tax increment for the Project Areas, as described in Section 2.1, remain operative. Contrary to this assumption, the California Department of Finance has advised County Auditor-Controllers that pursuant to its interpretation of the Dissolution Statutes, these limits are no longer in force. If the projections were prepared consistent with this Department of Finance interpretation, Tax Revenues for both the Emeryville and Shellmound Park project areas would continue to be fully available for debt service through the final payment date on the bonds irrespective of whether the time and dollar limits in the plans are reached. Since we understand this matter has not been reviewed by the courts and the advice of the California Department of Finance does not have the force of law, to be prudent and conservative, plan limits continue to be reflected for purposes of the projection.

## **8.0 CAVEATS AND LIMITATIONS**

The projections reflects assumptions based on KMA's understanding of the assessment, tax apportionment, and pass through calculation procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or administrative, regulatory 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 no changes to State legislation are enacted to change or eliminate the allocation of RPTTF revenues. These assumptions are based on existing State policies and are subject to future regulatory or legislative changes.

No assurances are provided by KMA as to the certainty of the projected tax increment revenues incorporated into this Report and included on Tables 7.0 to 8.2. 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, changes in assessor valuation standards, or the non-payment of taxes due. The accuracy or completeness of assessment appeals identified in the attached tables are based solely upon information provided by the County as of the date of the original review of said data by KMA.

## TABLES

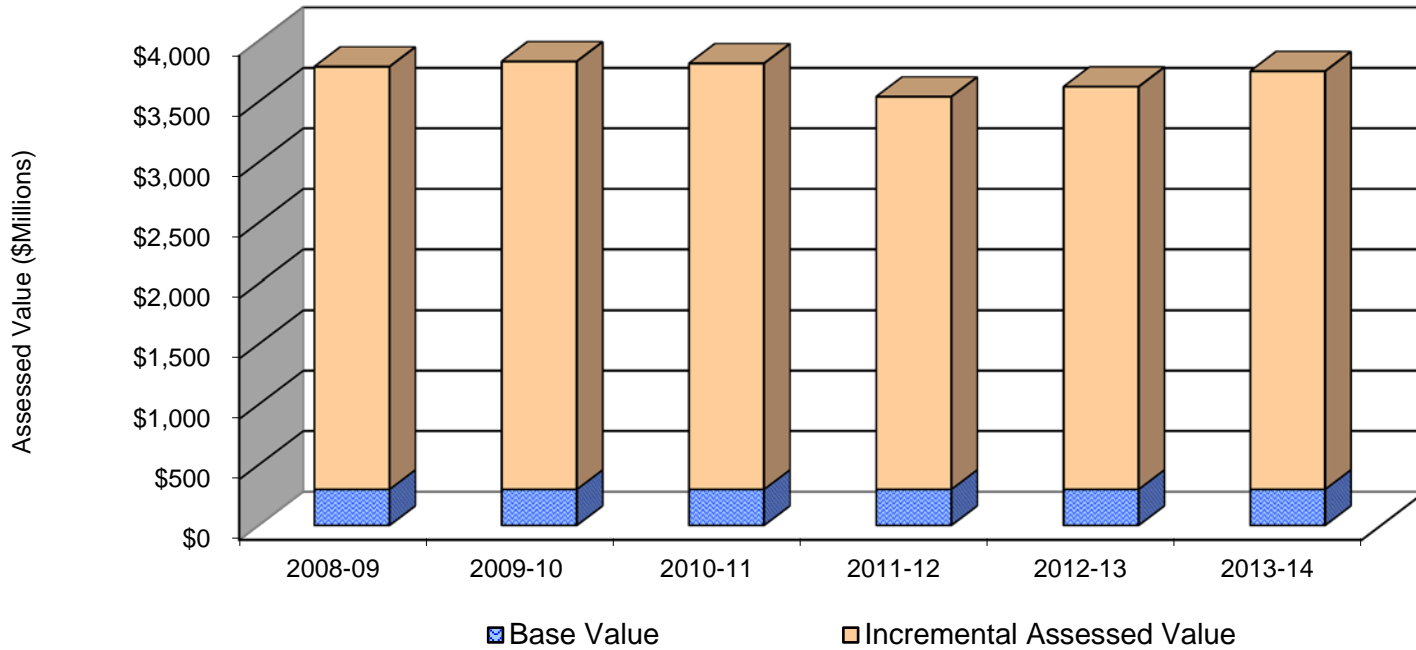
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**Table 1.0**  
**Historic Project Area Assessed Values**  
**Combined: Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

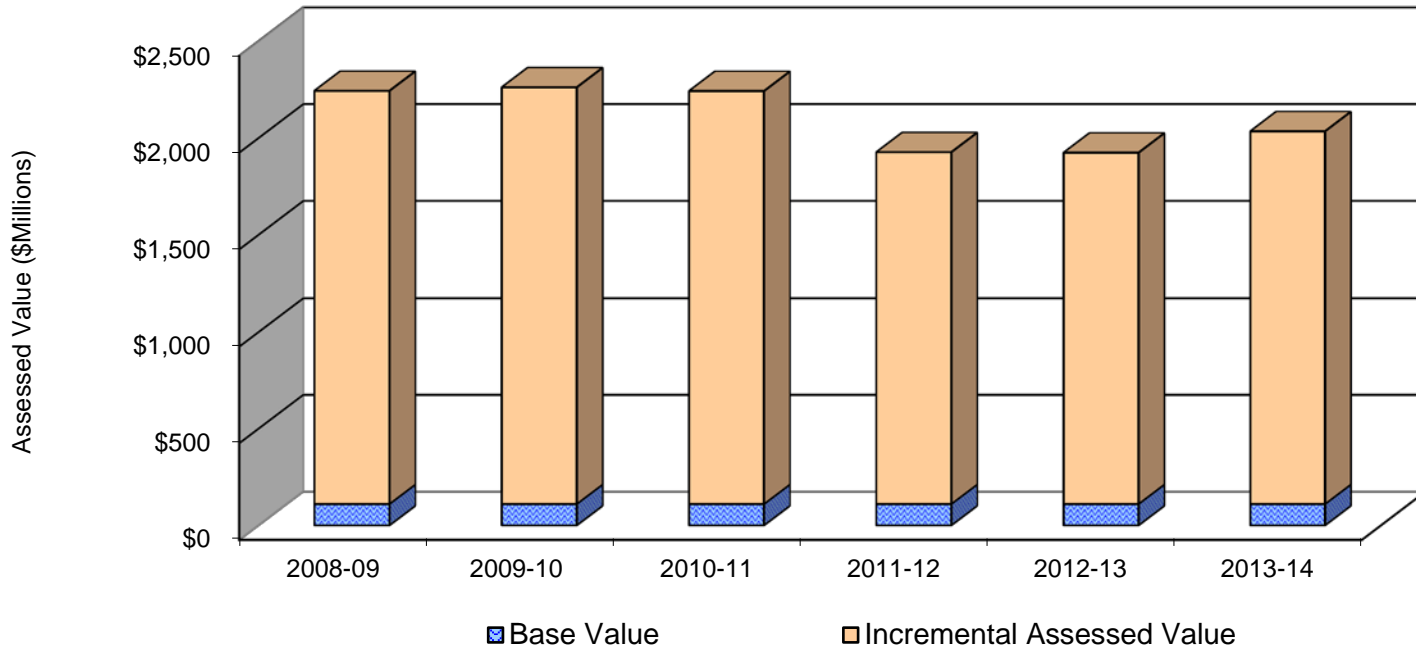
Assessed Value	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average Annual
							% Change 2008-09 to 2013-14
Secured	3,479,299,561	3,565,370,014	3,535,686,850	3,212,637,303	3,331,084,918	3,458,606,614	-0.1%
Utility	369,034	369,034	523,096	523,096	523,096	523,096	7.2%
Unsecured	311,320,864	268,670,549	281,665,021	329,568,792	293,210,260	293,809,642	-1.2%
<b>Total</b>	<b>3,790,989,459</b>	<b>3,834,409,597</b>	<b>3,817,874,967</b>	<b>3,542,729,191</b>	<b>3,624,818,274</b>	<b>3,752,939,352</b>	<b>-0.2%</b>
Percent change from prior year	N/A	1%	0%	-7%	2%	4%	



Source: Alameda County Auditor-Controller.

**Table 1.1**  
**Historic Project Area Assessed Values**  
**Emeryville Project Area**  
**Emeryville Successor Agency**

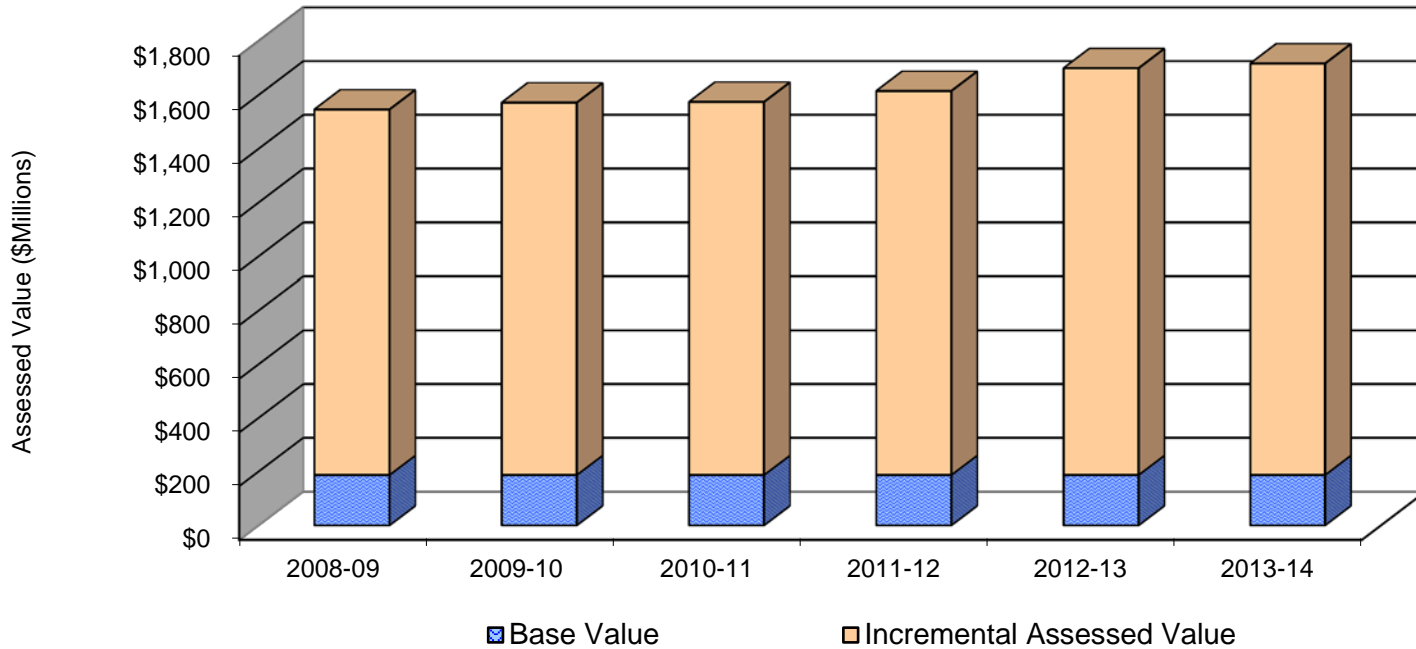
Assessed Value	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average Annual
							% Change
							2008-09 to 2013-14
Secured	2,091,828,686	2,155,696,284	2,119,187,768	1,772,481,167	1,804,670,982	1,905,788,388	-1.8%
Utility	3,930	3,930	80,604	80,604	80,604	80,604	83.0%
Unsecured	152,619,242	106,689,114	123,982,648	154,761,771	120,009,677	129,584,541	-3.2%
<b>Total</b>	<b>2,244,451,858</b>	<b>2,262,389,328</b>	<b>2,243,251,020</b>	<b>1,927,323,542</b>	<b>1,924,761,263</b>	<b>2,035,453,533</b>	<b>-1.9%</b>
Percent change from prior year	N/A	1%	-1%	-14%	0%	6%	



Source: Alameda County Auditor-Controller.

**Table 1.2**  
**Historic Project Area Assessed Values**  
**Shellmound Park Project Area**  
**Emeryville Successor Agency**

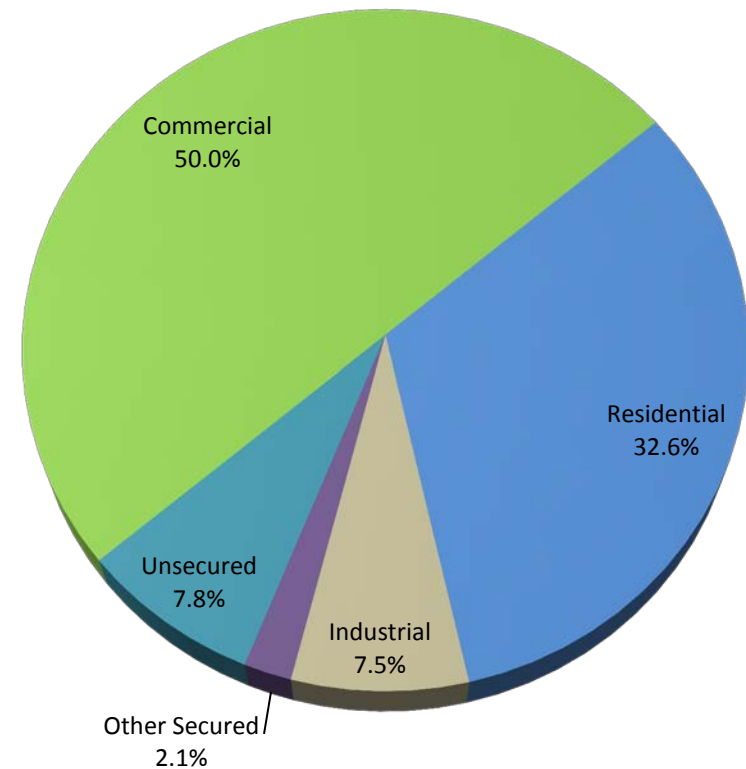
Assessed Value	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Average Annual % Change 2008-09 to 2013-14
	Secured	1,387,470,875	1,409,673,730	1,416,499,082	1,440,156,136	1,526,413,936	1,552,818,226
Utility	365,104	365,104	442,492	442,492	442,492	442,492	3.9%
Unsecured	158,701,622	161,981,435	157,682,373	174,807,021	173,200,583	164,225,101	0.7%
<b>Total</b>	<b>1,546,537,601</b>	<b>1,572,020,269</b>	<b>1,574,623,947</b>	<b>1,615,405,649</b>	<b>1,700,057,011</b>	<b>1,717,485,819</b>	<b>2.1%</b>
Percent change from prior year	N/A	2%	0%	3%	5%	1%	



Source: Alameda County Auditor-Controller.

**Table 2.0**  
**Land Uses Composition, FY 2013-14**  
**Both Project Areas**  
**Emeryville Successor Agency**

	No. of Parcels <sup>(1)</sup>	2013-14 Taxable Value	% of Total
<b>Commercial</b>			
Office	66	918,595,767	24.5%
Retail	80	478,682,367	12.8%
Hotel & Motel	7	118,990,035	3.2%
Miscellaneous	479	360,351,717	9.6%
<i>Subtotal Commercial</i>	<i>632</i>	<i>\$1,876,619,886</i>	<i>50.0%</i>
<b>Residential</b>			
Condominiums	2,401	678,313,105	18.1%
Multi-Family	263	494,578,866	13.2%
Single Family	199	47,430,136	1.3%
Miscellaneous	23	1,947,875	0.1%
<i>Subtotal Residential</i>	<i>2,886</i>	<i>\$1,222,269,982</i>	<i>32.6%</i>
<b>Industrial</b>			
Light Industrial	47	171,551,766	4.6%
Warehouse / Distribution	90	103,308,306	2.8%
Heavy Industrial	3	1,956,650	0.1%
Miscellaneous	4	6,387,754	0.2%
<i>Subtotal Industrial</i>	<i>144</i>	<i>\$283,204,476</i>	<i>7.5%</i>
<b>Other Uses</b>			
Institutional	42	11,834,278	0.3%
Vacant Land	57	64,677,992	1.7%
Publicly Owned	128	0	0.0%
SBE Assessed	0	523,096	0.0%
Unsecured Assessments	902	293,809,642	7.8%
<i>Subtotal Other Uses</i>	<i>1,129</i>	<i>\$370,845,008</i>	<i>9.9%</i>
<b>Total - Both Project Areas</b>	<b>4,791</b>	<b>\$3,752,939,352</b>	<b>100.0%</b>

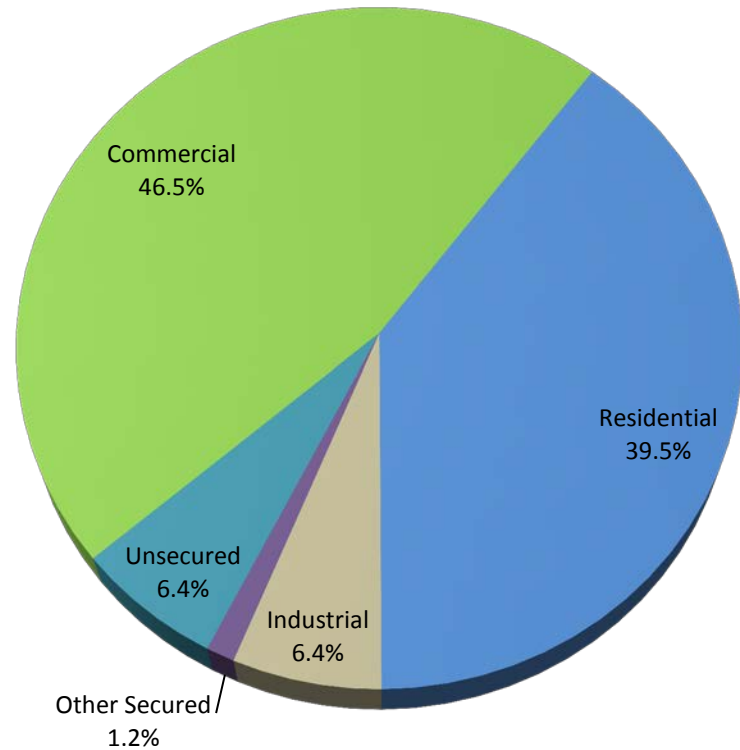


Source: Alameda County Assessor

(1) Includes the number of unsecured assessments.

**Table 2.1**  
**Land Uses Composition, FY 2013-14**  
**Emeryville Project Area**  
**Emeryville Successor Agency**

	No. of Parcels <sup>(1)</sup>	2013-14 Taxable Value	% of Total
<b>Commercial</b>			
Office	38	530,834,753	26.1%
Retail	60	235,743,101	11.6%
Hotel & Motel	7	118,990,035	5.8%
Miscellaneous	457	60,793,397	3.0%
<i>Subtotal Commercial</i>	<i>562</i>	<i>\$946,361,286</i>	<i>46.5%</i>
<b>Residential</b>			
Condominiums	1,879	506,021,983	24.9%
Multi-Family	248	249,191,935	12.2%
Single Family	198	47,422,821	2.3%
Miscellaneous	17	1,947,875	0.1%
<i>Subtotal Residential</i>	<i>2,342</i>	<i>\$804,584,614</i>	<i>39.5%</i>
<b>Industrial</b>			
Light Industrial	15	103,077,623	5.1%
Warehouse / Distribution	20	26,786,430	1.3%
Heavy Industrial	0	0	0.0%
Miscellaneous	1	67,299	0.0%
<i>Subtotal Industrial</i>	<i>36</i>	<i>\$129,931,352</i>	<i>6.4%</i>
<b>Other Uses</b>			
Institutional	30	3,289,357	0.2%
Vacant Land	41	21,621,779	1.1%
Publicly Owned	103	0	0.0%
SBE Assessed	0	80,604	0.0%
Unsecured Assessments	438	129,584,541	6.4%
<i>Subtotal Other Uses</i>	<i>612</i>	<i>\$154,576,281</i>	<i>7.6%</i>
<b>Project Area Total</b>	<b>3,552</b>	<b>\$2,035,453,533</b>	<b>100.0%</b>

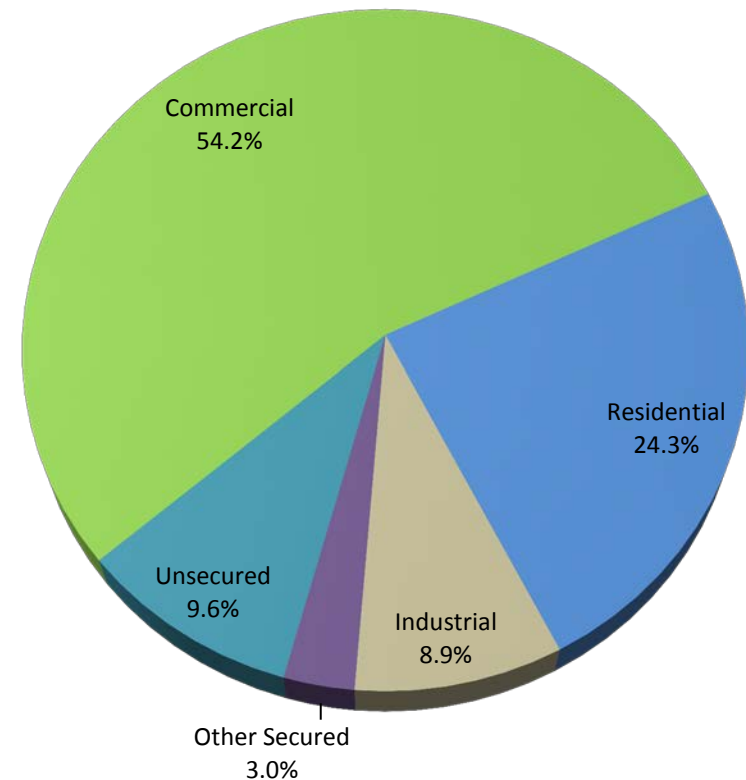


Source: Alameda County Assessor

(1) Includes the number of unsecured assessments.

**Table 2.2**  
**Land Uses Composition, FY 2013-14**  
**Shellmound Park Project Area**  
**Emeryville Successor Agency**

	No. of Parcels <sup>(1)</sup>	2013-14 Taxable Value	% of Total
<b>Commercial</b>			
Office	28	387,761,014	22.6%
Retail	20	242,939,266	14.1%
Hotel & Motel	0	0	0.0%
Miscellaneous	22	299,558,320	17.4%
<i>Subtotal Commercial</i>	<i>70</i>	<i>\$930,258,600</i>	<i>54.2%</i>
<b>Residential</b>			
Condominiums	522	172,291,122	10.0%
Multi-Family	15	245,386,931	14.3%
Single Family	1	7,315	0.0%
Miscellaneous	6	0	0.0%
<i>Subtotal Residential</i>	<i>544</i>	<i>\$417,685,368</i>	<i>24.3%</i>
<b>Industrial</b>			
Light Industrial	32	68,474,143	4.0%
Warehouse / Distribution	70	76,521,876	4.5%
Heavy Industrial	3	1,956,650	0.1%
Miscellaneous	3	6,320,455	0.4%
<i>Subtotal Industrial</i>	<i>108</i>	<i>\$153,273,124</i>	<i>8.9%</i>
<b>Other Uses</b>			
Institutional	12	8,544,921	0.5%
Vacant Land	16	43,056,213	2.5%
Publicly Owned	25	0	0.0%
SBE Assessed	0	442,492	0.0%
Unsecured Assessments	464	164,225,101	9.6%
<i>Subtotal Other Uses</i>	<i>517</i>	<i>\$216,268,727</i>	<i>12.6%</i>
<b>Project Area Total</b>	<b>1,239</b>	<b>\$1,717,485,819</b>	<b>100.0%</b>



Source: Alameda County Assessor

(1) Includes the number of unsecured assessments.

**Table 3.0**  
**Ten Largest Assesseees 2013-14**  
**Combined: Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

Property Owner	Property Use(s) <sup>(1)</sup>	No. of Parcels <sup>(2)</sup>	FY 2013-14 Assessed Value			% of Total Value <sup>(3)</sup>	% of Incremental Value <sup>(3)</sup>
			Secured	Unsecured	Total		
1 Novartis <sup>(4) (9)</sup>	Office and Industrial	22	\$287,673,946	\$16,756,983	\$304,430,929	8.1%	8.8%
2 Wareham Development <sup>(5) (9)</sup>	Office and Industrial	14	\$260,131,085	\$102,062	\$260,233,147	6.9%	7.5%
3 Pixar Animation Studios <sup>(6) (9)</sup>	Commercial	7	\$257,107,403	\$407,443	\$257,514,846	6.9%	7.5%
4 Madison Marquette <sup>(7) (9)</sup>	Shopping Center	14	\$211,038,758	\$4,245,902	\$215,284,660	5.7%	6.2%
5 Emeryville Office LLC	Office	4	\$142,015,120	\$0	\$142,015,120	3.8%	4.1%
6 BRE Properties <sup>(8) (9)</sup>	Residential, Office	5	\$111,459,157	\$21,207	\$111,480,364	3.0%	3.2%
7 STRS Ohio (the Courtyards) <sup>(9)</sup>	Multifamily Res.	1	\$104,333,306	\$0	\$104,333,306	2.8%	3.0%
8 Hines REIT Watergate LP <sup>(9)</sup>	Office	2	\$97,044,474	\$0	\$97,044,474	2.6%	2.8%
9 Bay Center Investor LLC	Office	3	\$88,900,000	\$0	\$88,900,000	2.4%	2.6%
10 Windsor Metropolitan LP	Multifamily Res.	1	\$82,836,491	\$0	\$82,836,491	2.2%	2.4%
<b>TOTAL</b>		<b>73</b>	<b>\$1,642,539,740</b>	<b>\$21,533,597</b>	<b>\$1,664,073,337</b>	<b>44.3%</b>	<b>48.2%</b>

Notes:

- <sup>(1)</sup> Based on land use codes in County Assessor database.
- <sup>(2)</sup> Number of secured parcels and / or unsecured assessments.
- <sup>(3)</sup> Based upon reported FY 2013-14 total assessed value of \$3,752,939,352 and incremental assessed value of \$3,454,556,092.
- <sup>(4)</sup> Includes Novartis Vaccines and Diagnostics, Inc., Chiron Corporation, and Cetus Corporation (under same ownership).
- <sup>(5)</sup> Includes the following Wareham Development entities: Emery Station Office II LLC, Emerystation Triangle LLC, Emerystation Triangle II LLC, Emery Station Joint Venture LLC, ES East LLC, Hollis R&D Associates, 1600 63rd Street LLC, Wareham Development Corporation, and Emerystation Associates LLC.
- <sup>(6)</sup> Includes Pixar and ERPM, Inc.
- <sup>(7)</sup> Includes the following Madison Marquette entities: Madison Manhattan Village LLC and Madison Bay Street LLC.
- <sup>(8)</sup> Includes BRE Properties, Inc. and BRE-FMCA LLC.
- <sup>(9)</sup> Denotes property owners with assessment appeal filings for FY 13-14. See Section 4.2 of report text for details.

**Table 3.1**  
**Ten Largest Assesseees 2013-14**  
**Emeryville Project Area**  
**Emeryville Successor Agency**

Property Owner	Property Use(s) <sup>(1)</sup>	No. of Parcels <sup>(2)</sup>	FY 2013-14 Assessed Value			% of Total Value <sup>(3)</sup>	% of Incremental Value <sup>(3)</sup>
			Secured	Unsecured	Total		
1 Novartis <sup>(4) (7)</sup>	Office and Industrial	13	\$276,198,770	\$12,117,810	\$288,316,580	14.2%	15.0%
2 Emeryville Office LLC	Office	4	\$142,015,120	\$0	\$142,015,120	7.0%	7.4%
3 BRE Properties <sup>(5) (7)</sup>	Residential, Office	5	\$111,459,157	\$21,207	\$111,480,364	5.5%	5.8%
4 Hines REIT Watergate LP <sup>(7)</sup>	Office	2	\$97,044,474	\$0	\$97,044,474	4.8%	5.0%
5 Bay Center Investor LLC	Office	3	\$88,900,000	\$0	\$88,900,000	4.4%	4.6%
6 AG CCRP Public Market LP	Shopping Center	4	\$64,275,000	\$0	\$64,275,000	3.2%	3.3%
7 East Bay Bridge Retail LLC	Shopping Center	4	\$62,886,353	\$0	\$62,886,353	3.1%	3.3%
8 Archstone <sup>(6) (7)</sup>	Multifamily Residential: existing & under const.	3	\$59,092,930	\$0	\$59,092,930	2.9%	3.1%
9 Regency Centers LP	Shopping Center	18	\$44,986,488	\$0	\$44,986,488	2.2%	2.3%
10 6400 Christie Ave Emeryville LLC	Residential	177	\$42,709,569	\$0	\$42,709,569	2.1%	2.2%
<b>TOTAL</b>		<b>233</b>	<b>\$989,567,861</b>	<b>\$12,139,017</b>	<b>\$1,001,706,878</b>	<b>49.2%</b>	<b>52.0%</b>

**Notes:**

- <sup>(1)</sup> Based on land use codes in County Assessor database.
- <sup>(2)</sup> Number of secured parcels and / or unsecured assessments.
- <sup>(3)</sup> Based upon reported FY 2013-14 total assessed value of \$2,035,453,533 and incremental assessed value of \$1,924,865,913.
- <sup>(4)</sup> Includes Novartis Vaccines and Diagnostics, Inc., Chiron Corporation, and Cetus Corporation (under same ownership).
- <sup>(5)</sup> Includes BRE Properties, Inc. and BRE-FMCA LLC.
- <sup>(6)</sup> Includes ASN Emeryville LLC and Archstone Emeryville Residential LLC.
- <sup>(7)</sup> Denotes property owners with assessment appeal filings for FY 13-14. See Section 4.2 of report text for details.



**Table 3.2**  
**Ten Largest Assesseees 2013-14**  
**Shellmound Park Project Area**  
**Emeryville Successor Agency**

Property Owner	Property Use(s) <sup>(1)</sup>	No. of Parcels <sup>(2)</sup>	FY 2013-14 Assessed Value			% of Total Value <sup>(3)</sup>	% of Incremental Value <sup>(3)</sup>
			Secured	Unsecured	Total		
1 Pixar Animation Studios <sup>(4) (10)</sup>	Commercial	7	\$257,107,403	\$407,443	\$257,514,846	15.0%	16.8%
2 Wareham Development <sup>(5) (10)</sup>	Office and Industrial	11	\$253,451,634	\$102,062	\$253,553,696	14.8%	16.6%
3 Madison Marquette <sup>(6) (10)</sup>	Shopping Center	10	\$188,749,505	\$4,245,902	\$192,995,407	11.2%	12.6%
4 STRS Ohio (the Courtyards) <sup>(10)</sup>	Multifamily Res.	1	\$104,333,306	\$0	\$104,333,306	6.1%	6.8%
5 Windsor Metropolitan LP	Multifamily Res.	1	\$82,836,491	\$0	\$82,836,491	4.8%	5.4%
6 Mach I Emerytech LLC <sup>(7)</sup>	Office	2	\$62,500,000	\$0	\$62,500,000	3.6%	4.1%
7 Griffin Capital <sup>(8)</sup>	Office and Flex/R&D	3	\$53,853,421	\$0	\$53,853,421	3.1%	3.5%
8 Amyris Inc.	unsecured property	1	\$0	\$45,845,420	\$45,845,420	2.7%	3.0%
9 IKEA Property, Inc. <sup>(9) (10)</sup>	Retail	3	\$37,828,710	\$6,130,025	\$43,958,735	2.6%	2.9%
10 Agesong Emeryville Owner LLC	Residential (Senior Hsg)	2	\$37,519,999	\$8,120	\$37,528,119	2.2%	2.5%
<b>TOTAL</b>		<b>41</b>	<b>\$1,078,180,469</b>	<b>\$56,738,972</b>	<b>\$1,134,919,441</b>	<b>66.1%</b>	<b>74.2%</b>

**Notes:**

- <sup>(1)</sup> Based on land use codes in County Assessor database.
- <sup>(2)</sup> Number of secured parcels and / or unsecured assessments.
- <sup>(3)</sup> Based upon reported FY 2013-14 total assessed value of \$1,717,485,819 and incremental assessed value of \$1,529,690,179.
- <sup>(4)</sup> Includes Pixar and ERPM, Inc.
- <sup>(5)</sup> Includes the following Wareham Development entities: Emery Station Office II LLC, Emerystation Triangle LLC, Emerystation Triangle II LLC, Emery Station Joint Venture LLC, ES East LLC, Hollis R&D Associates, 1600 63rd Street LLC, Wareham Development Corporation, and Emerystation Associates LLC.
- <sup>(6)</sup> Includes the following Madison Marquette entities: Madison Manhattan Village LLC and Madison Bay Street LLC.
- <sup>(7)</sup> Includes Mach I 66th Street LLC.
- <sup>(8)</sup> Includes Griffin Capital Atrium Investor 1 LLC and Griffin Capital (Shellmound) Investors LLC
- <sup>(9)</sup> Includes IKEA US West Inc. and IKEA Property Inc.
- <sup>(10)</sup> Denotes property owners with assessment appeal filings for FY 13-14. See Section 4.2 of report text for details.

**Table 4.0**  
**Historic Assessment Appeal Resolutions: FY 2005-06 to FY 2011-12**  
**Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

Appeal Resolutions 2005-06 to 2011-12	Resolved Appeal Outcomes				Assessed Valuation: Resolved Appeals (\$Millions)				
	Total Resolved Filings	Stipulated or Reduced	Denied or Withdrawn	Open Filings	Contested Value	Applicant Opinion of Value	Final Resolved Value	Reduction from Assessor Value	Percent Reduction
FY 2005-06	57	19	38	0	\$909	\$640	\$848	\$61	6.7%
FY 2006-07	119	15	104	0	\$1,644	\$1,050	\$1,607	\$37	2.3%
FY 2007-08	105	18	87	1	\$1,030	\$551	\$942	\$88	8.6%
FY 2008-09	211	32	179	5	\$1,827	\$1,180	\$1,762	\$65	3.5%
FY 2009-10	333	104	229	5	\$3,090	\$1,418	\$2,670	\$420	13.6%
FY 2010-11	216	51	165	16	\$2,382	\$1,140	\$2,175	\$207	8.7%
FY 2011-12	110	43	67	25	\$1,396	\$775	\$1,285	\$111	7.9%
<b>Total</b>	1,151	282	869	52	<b>\$12,277</b>	<b>\$6,754</b>	<b>\$11,289</b>	<b>\$989</b>	8.1%
	100%	25%	75%						

Source: Alameda County Assessment Appeals Database

**Table 4.1**  
**Historic Assessment Appeal Resolutions: FY 2005-06 to FY 2011-12**  
**Emeryville Project Area**  
**Emeryville Successor Agency**

Appeal Resolutions 2005-06 to 2011-12	Resolved Appeal Outcomes				Assessed Valuation: Resolved Appeals (\$Millions)				
	Total Resolved Filings	Stipulated or Reduced	Denied or Withdrawn	Open Filings	Contested Value	Applicant Opinion of Value	Final Resolved Value	Reduction from Assessor Value	Percent Reduction
FY 2005-06	36	10	26	0	\$608	\$401	\$573	\$35	5.8%
FY 2006-07	67	7	60	0	\$1,004	\$682	\$973	\$31	3.1%
FY 2007-08	58	13	45	1	\$476	\$218	\$393	\$82	17.3%
FY 2008-09	86	17	69	5	\$1,412	\$910	\$1,374	\$38	2.7%
FY 2009-10	179	74	105	2	\$1,908	\$811	\$1,605	\$303	15.9%
FY 2010-11	163	37	126	12	\$1,321	\$611	\$1,186	\$135	10.2%
FY 2011-12	73	27	46	6	\$879	\$504	\$782	\$96	11.0%
<b>Total</b>	662	185	477	26	<b>\$7,607</b>	<b>\$4,137</b>	<b>\$6,887</b>	<b>\$721</b>	9.5%
	100%	28%	72%						

Source: Alameda County Assessment Appeals Database

**Table 4.2**  
**Historic Assessment Appeal Resolutions: FY 2005-06 to FY 2011-12**  
**Shellmound Project Area**  
**Emeryville Successor Agency**

Appeal Resolutions 2005-06 to 2011-12	Resolved Appeal Outcomes				Assessed Valuation: Resolved Appeals (\$Millions)				
	Total Resolved Filings	Stipulated or Reduced	Denied or Withdrawn	Open Filings	Contested Value	Applicant Opinion of Value	Final Resolved Value	Reduction from Assessor Value	Percent Reduction
FY 2005-06	21	9	12	0	\$300	\$238	\$275	\$25	8.4%
FY 2006-07	52	8	44	0	\$640	\$368	\$633	\$6	1.0%
FY 2007-08	47	5	42	0	\$555	\$333	\$549	\$6	1.0%
FY 2008-09	125	15	110	0	\$415	\$270	\$388	\$27	6.4%
FY 2009-10	154	30	124	3	\$1,182	\$606	\$1,065	\$117	9.9%
FY 2010-11	53	14	39	4	\$1,062	\$529	\$989	\$72	6.8%
FY 2011-12	37	16	21	19	\$517	\$271	\$502	\$15	2.8%
<b>Total</b>	489	97	392	26	<b>\$4,670</b>	<b>\$2,617</b>	<b>\$4,402</b>	<b>\$268</b>	5.7%
	100%	20%	80%						

Source: Alameda County Assessment Appeals Database

**Table 4.3**  
**Summary of Pending Appeals and Projection of Assessed Value Impact**  
**Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

	No. Pending Appeals	Assessed Value: Pending Appeals (\$Millions)				Estimate of Potential Reduction <sup>(1)</sup>
		Contested Value Represented	Applicant Opinion Represented	Estimate of Resolved Value <sup>(1)</sup>	Reduction Requested	
<b>I. Open Appeal Filings</b>						
<b><u>Emeryville Project Area</u></b>						
Secured - All Open Filings	79	\$1,360	\$602	\$1,153	\$757	\$207
Unsecured - All Open Filings	<u>44</u>	<u>\$254</u>	<u>\$86</u>	<u>\$202</u>	<u>\$168</u>	<u>\$52</u>
	123	\$1,614	\$688	\$1,355	\$925	\$259
<b><u>Shellmound Park Project Area</u></b>						
Secured - All Open Filings	88	\$2,207	\$1,161	\$1,795	\$1,046	\$412
Unsecured - All Open Filings	<u>45</u>	<u>\$222</u>	<u>\$96</u>	<u>\$206</u>	<u>\$126</u>	<u>\$16</u>
	133	\$2,429	\$1,258	\$2,001	\$1,172	\$428
Total Open Appeals	<u>256</u>	<u>\$4,043</u>	<u>\$1,946</u>	<u>\$3,356</u>	<u>\$2,097</u>	<u>\$687</u>
<b>II. Estimated Future Assessed Value Reduction (2013 Appeals Only)</b>						
<b><u>Emeryville Project Area</u></b>						
Secured - 2013 Filings	31	\$679	\$299	\$585	\$380	\$94
Unsecured - 2013 Filings	<u>12</u>	<u>\$82</u>	<u>\$43</u>	<u>\$65</u>	<u>\$38</u>	<u>\$17</u>
	43	\$761	\$343	\$650	\$418	\$111
<b><u>Shellmound Park Project Area</u></b>						
Secured - 2013 Filings	37	\$841	\$436	\$699	\$404	\$142
Unsecured - 2013 Filings	<u>6</u>	<u>\$53</u>	<u>\$27</u>	<u>\$52</u>	<u>\$27</u>	<u>\$1</u>
	43	\$894	\$463	\$751	\$431	\$143
Total 2013 Appeals	<u>86</u>	<u>\$1,655</u>	<u>\$806</u>	<u>\$1,401</u>	<u>\$850</u>	<u>\$254</u>

Source: Alameda County Assessment Appeals Database

Notes

(1) See Table 4.4 for detailed analysis and basis for estimated value reduction.

**Table 4.4**

**Detail of Projected Assessed Value Impacts from Pending Appeals  
Emeryville and Shellmound Park Project Areas  
Emeryville Successor Agency**

				<b>Assessed Value: Pending Appeals (\$Thousands)</b>					
<u>Appeal No.</u>	<u>Assessee</u>	<u>APN (secured appeals)</u>	<u>Roll Year</u>	<u>Contested Value Represented</u>	<u>Applicant Opinion Represented</u>	<u>Projected Resolved Value</u>	<u>Estimated Reduction</u>	<u>% reduction</u>	<u>Assumption for Estimated Assessed Value Impact</u>
<b>I. Secured Roll Appeals: Emeryville Project Area</b>									
1	2012-2354	2005 RE I LLC	7-617-22	2012	\$5,035	\$3,120	\$3,978	\$1,057	21% reduced to 79% of contested value
2	2013-828	2005 RE I LLC	7-617-22	2013	\$5,136	\$3,120	\$4,057	\$1,079	21% reduced to 79% of contested value
3	2012-3502	59TH & DOYLE LLC-FORMERLY 59 DOYLE	49-1476-5	2012	\$173	\$104	\$156	\$18	10% 2011 stipulated value
4	2012-3504	59TH & DOYLE LLC-FORMERLY 59 DOYLE	49-1476-6	2012	\$4,504	\$2,702	\$4,175	\$329	7% 2011 stipulated value
5	2012-3505	59TH & DOYLE LLC-FORMERLY 59 DOYLE	49-1476-7	2012	\$403	\$242	\$369	\$34	9% 2011 stipulated value
6	2013-3726	ASN EMERYVILLE LLC	49-1491-13	2013	\$23,800	\$21,930	\$21,930	\$1,870	8% reduced to applicant opinion of value
7	2013-3725	ASN EMERYVILLE LLC	49-1534-1	2013	\$23,800	\$21,930	\$21,930	\$1,870	8% reduced to applicant opinion of value
8	2012-3638	BAY CENTER INVESTOR LLC	49-1491-7	2012	\$27,330	\$8,198	\$21,591	\$5,739	21% reduced to 79% of contested value
9	2012-3639	BAY CENTER INVESTOR LLC	49-1491-8	2012	\$18,430	\$5,529	\$14,560	\$3,870	21% reduced to 79% of contested value
10	2011-1474	BIDGOLI, TR, FAE	49-1471-8	2011	\$972	\$550	\$767	\$204	21% reduced to 79% of contested value
11	2013-150	BLOCK, STEPHEN E & DALE F ETAL	49-1330-8-1	2013	\$3,597	\$2,158	\$3,597	\$0	0% withdrawn in 2012
12	2013-1089	BRE PROPERTIES	49-1492-13	2013	\$91,317	\$45,500	\$68,400	\$22,917	25% 2012 stipulated value
13	2012-3151	BROWN, BENTE TR	49-1531-107	2012	\$200	\$205	\$200	\$0	0% assessor opinion (less than applicant)
14	2012-3644	Novartis	49-1544-4	2012	\$4,026	\$1,207	\$3,180	\$845	21% reduced to 79% of contested value
15	2013-3172	COMMUNITY FUND LLC	49-1545-136	2013	\$395	\$285	\$312	\$83	21% reduced to 79% of contested value
16	2013-2561	DELTA FAIR	49-1494-4-10	2013	\$1,840	\$1,100	\$1,840	\$0	0% withdrawn in 2010
17	2013-1984	DINO, CORAZON M.	49-1546-39	2013	\$272	\$100	\$215	\$57	21% reduced to 79% of contested value
18	2011-5420	EAST BAY BRIDGE RETAIL LLC	49-619-2	2011	\$18,413	\$9,100	\$14,546	\$3,867	21% reduced to 79% of contested value
19	2011-5419	EAST BAY BRIDGE RETAIL LLC	49-619-5	2011	\$26,589	\$13,200	\$21,005	\$5,584	21% reduced to 79% of contested value
20	2012-3625	H F H LTD	49-1041-18-1	2012	\$5,877	\$529	\$4,643	\$1,234	21% reduced to 79% of contested value
21	2013-2867	H F H LTD	49-1041-18-1	2013	\$5,995	\$1,799	\$4,736	\$1,259	21% reduced to 79% of contested value
22	2012-4494	HARALAMBIDES, NICOLAS P	49-1504-8	2012	\$410	\$300	\$324	\$86	21% reduced to 79% of contested value
23	2012-2395	HINES REIT WATERGATE LP	49-1495-9	2012	\$91,100	\$65,000	\$91,100	\$0	0% withdrawn in 2011
24	2013-1351	HINES REIT WATERGATE LP	49-1495-9	2013	\$97,000	\$60,000	\$97,000	\$0	0% withdrawn in 2011
25	2012-4266	HPTMI PROPERTIES TRUST	49-1516-12	2012	\$40,250	\$19,998	\$32,000	\$8,250	20% 2011 stipulated value
26	2012-5327	IKEA	49-1039-2	2012	\$286	\$143	\$286	\$0	0% withdrawn in 2011
27	2013-747	IKEA	49-1039-2	2013	\$292	\$146	\$292	\$0	0% withdrawn in 2011
28	2012-2332	JEW, CHARLES C	49-1531-542	2012	\$800	\$497	\$632	\$168	21% reduced to 79% of contested value
29	2011-6002	LBA RIV CO XII LLC	16-1514-9	2011	\$235	\$140	\$186	\$49	21% reduced to 79% of contested value
30	2012-4278	LBA RIV CO XII LLC	16-1514-9	2012	\$235	\$118	\$186	\$49	21% reduced to 79% of contested value
31	2013-1701	LBA RIV CO XII LLC	16-1514-9	2013	\$240	\$59	\$189	\$50	21% reduced to 79% of contested value
32	2012-3698	Madison Marquette	49-1038-15	2012	\$18,034	\$5,410	\$18,034	\$0	0% withdrawn in 2011
33	2013-2238	Madison Marquette	49-1038-15	2013	\$18,394	\$5,518	\$18,394	\$0	0% withdrawn in 2011
34	2012-3699	Madison Marquette	49-1038-17	2012	\$2,175	\$653	\$2,175	\$0	0% withdrawn in 2011

**Table 4.4**  
**Detail of Projected Assessed Value Impacts from Pending Appeals**  
**Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

		<b>Assessed Value: Pending Appeals (\$Thousands)</b>							
Appeal No.	Assessee	APN (secured appeals)	Roll Year	Contested Value Represented	Applicant Opinion Represented	Projected Resolved Value	Estimated Reduction	% reduction	Assumption for Estimated Assessed Value Impact
35	2013-2239	Madison Marquette	49-1038-17	2013	\$2,219	\$666	\$2,219	\$0	0% withdrawn in 2011
36	2012-3700	Madison Marquette	49-1038-18	2012	\$656	\$197	\$656	\$0	0% withdrawn in 2011
37	2013-2240	Madison Marquette	49-1038-18	2013	\$669	\$201	\$669	\$0	0% withdrawn in 2011
38	2012-3706	Madison Marquette	49-1039-7	2012	\$988	\$296	\$988	\$0	0% withdrawn in 2011
39	2013-2243	Madison Marquette	49-1039-7	2013	\$1,007	\$302	\$1,007	\$0	0% withdrawn in 2011
40	2012-3860	AG CCRP PUBLIC MARKET L P	49-1556-1	2012	\$5,425	\$2,800	\$4,286	\$1,139	21% reduced to 79% of contested value
41	2012-3861	AG CCRP PUBLIC MARKET L P	49-1556-2	2012	\$34,760	\$20,000	\$27,460	\$7,300	21% reduced to 79% of contested value
42	2012-3862	AG CCRP PUBLIC MARKET L P	49-1556-3	2012	\$2,531	\$1,650	\$1,999	\$531	21% reduced to 79% of contested value
43	2012-3863	AG CCRP PUBLIC MARKET L P	49-1556-4	2012	\$486	\$330	\$384	\$102	21% reduced to 79% of contested value
44	2012-3627	Novartis	49-1041-29-1	2012	\$3,933	\$1,180	\$3,933	\$0	0% withdrawn in 2011
45	2013-2891	Novartis	49-1041-29-1	2013	\$4,011	\$1,203	\$4,011	\$0	0% withdrawn in 2011
46	2012-3628	Novartis	49-1041-48-3	2012	\$18,060	\$5,418	\$18,060	\$0	0% withdrawn in 2010
47	2013-2893	Novartis	49-1041-48-3	2013	\$18,422	\$5,525	\$18,422	\$0	0% withdrawn in 2010
48	2012-3629	Novartis	49-1041-49	2012	\$17,608	\$5,282	\$17,608	\$0	0% withdrawn in 2011
49	2013-2894	Novartis	49-1041-49	2013	\$17,960	\$5,387	\$17,960	\$0	0% withdrawn in 2011
50	2012-3630	Novartis	49-1041-50-1	2012	\$40,292	\$12,087	\$16,000	\$24,292	60% 2011 stipulated value
51	2013-2883	Novartis	49-1041-50-1	2013	\$41,098	\$12,328	\$16,000	\$25,098	61% 2011 stipulated value
52	2009-11125	Novartis	49-1041-51	2009	\$4,000	\$2,000	\$4,000	\$0	0% withdrawn in 2011
53	2010-3559	Novartis	49-1041-51	2010	\$6,675	\$3,308	\$6,675	\$0	0% withdrawn in 2011
54	2010-1063	Novartis	49-1041-51	2010	\$5,720	\$0	\$5,720	\$0	0% withdrawn in 2011
55	2012-3631	Novartis	49-1041-51	2012	\$6,860	\$2,057	\$6,860	\$0	0% withdrawn in 2011
56	2013-2884	Novartis	49-1041-51	2013	\$6,997	\$2,099	\$6,997	\$0	0% withdrawn in 2011
57	2012-3632	Novartis	49-1041-55	2012	\$9,740	\$2,922	\$6,800	\$2,940	30% 2011 stipulated value
58	2013-2885	Novartis	49-1041-55	2013	\$9,935	\$2,981	\$6,800	\$3,135	32% 2011 stipulated value
59	2012-3633	Novartis	49-1041-61	2012	\$3,770	\$1,131	\$3,770	\$0	0% withdrawn in 2011
60	2013-2886	Novartis	49-1041-61	2013	\$3,845	\$1,153	\$3,845	\$0	0% withdrawn in 2011
61	2012-3634	Novartis	49-1041-70-2	2012	\$5,440	\$1,632	\$5,440	\$0	0% withdrawn in 2010
62	2013-2895	Novartis	49-1041-70-2	2013	\$5,549	\$1,665	\$5,549	\$0	0% withdrawn in 2010
63	2012-3635	Novartis	49-1041-71-2	2012	\$83,013	\$24,902	\$83,013	\$0	0% withdrawn in 2011
64	2013-2896	Novartis	49-1041-71-2	2013	\$84,672	\$25,398	\$84,672	\$0	0% withdrawn in 2011
65	2013-2871	Novartis	49-1491-7	2013	\$33,200	\$9,959	\$26,228	\$6,972	21% reduced to 79% of contested value
66	2013-2881	Novartis	49-1491-8	2013	\$22,700	\$6,810	\$17,933	\$4,767	21% reduced to 79% of contested value
67	2013-2882	Novartis	49-1495-9	2013	\$97,000	\$29,096	\$76,630	\$20,370	21% reduced to 79% of contested value
68	2013-2889	Novartis	49-1544-4	2013	\$4,106	\$1,232	\$2,750	\$1,356	33% 2011 stipulated value
69	2012-3647	Novartis	49-1544-7	2012	\$18,496	\$5,548	\$15,500	\$2,996	16% 2011 stipulated value
70	2013-2890	Novartis	49-1544-7	2013	\$18,865	\$5,659	\$15,500	\$3,365	18% 2011 stipulated value

**Table 4.4**

**Detail of Projected Assessed Value Impacts from Pending Appeals  
Emeryville and Shellmound Park Project Areas  
Emeryville Successor Agency**

<b>Assessed Value: Pending Appeals (\$Thousands)</b>									
Appeal No.	Assessee	APN (secured appeals)	Roll Year	Contested Value Represented	Applicant Opinion Represented	Projected Resolved Value	Estimated Reduction	% reduction	Assumption for Estimated Assessed Value Impact
71	2008-5953	PRINCIPAL REAL ESTATE INVESTORS LL	49-1491-7	2008	\$44,166	\$21,200	\$33,200	\$10,966	25% reduced to 2013 value
72	2008-5952	PRINCIPAL REAL ESTATE INVESTORS, LL	49-1491-11	2008	\$48,858	\$24,000	\$33,000	\$15,858	32% reduced to 2013 value
73	2008-5951	PRINCIPAL REAL ESTATE INVESTORS, LL	49-1491-8	2008	\$31,926	\$15,500	\$22,700	\$9,226	29% reduced to 2013 value
74	2012-3093	REO HOMES LLC	49-1176-12-2	2012	\$133	\$100	\$105	\$28	21% reduced to 79% of contested value
75	2013-795	RLJ HGN EMERYVILLE LP	49-1495-1-26	2013	\$34,905	\$24,000	\$34,905	\$0	0% denied in 2012
76	2008-9589	SAFEWAY INC.	49-619-6	2008	\$19,768	\$11,835	\$14,419	\$5,348	27% reduced to 2013 value
77	2011-355	SHINJO, KIMBERLY	49-1325-63	2011	\$259	\$205	\$193	\$66	26% reduced to 2013 value
78	2012-1396	THAMKUL , MARK & PENNY TRS	49-1081-13	2012	\$1,298	\$454	\$1,025	\$273	21% reduced to 79% of contested value
79	2007-2859	TONG, DIANE	49-1531-227	2007	\$387	\$195	\$306	\$81	21% reduced to 79% of contested value
Emeryville Secured Roll Appeals			79	\$1,359,958	\$602,483	\$1,153,179	\$206,778	15%	
Emeryville 2013 Secured Appeals			31	\$679,236	\$299,309	\$584,988	\$94,248	14%	

**II. Secured Roll Appeals: Shellmound Project Area**

1	2010-4136		49-1487-10-3	2010	\$855	\$457	\$675	\$180	21% reduced to 79% of contested value
2	2012-4327	Wareham Development	49-1487-5-3	2012	\$6,865	\$4,300	\$6,865	\$0	0% withdrawn in 2011
3	2011-3353	AGESONG	49-617-16-2	2011	\$35,720	\$17,800	\$28,219	\$7,501	21% reduced to 79% of contested value
4	2013-3316	BIASE, KAREN A	49-618-44	2013	\$688	\$500	\$544	\$144	21% reduced to 79% of contested value
5	2012-3642	Novartis	49-1544-2	2012	\$2,611	\$783	\$2,063	\$548	21% reduced to 79% of contested value
6	2012-3643	Novartis	49-1544-3	2012	\$653	\$196	\$516	\$137	21% reduced to 79% of contested value
7	2012-4330	Wareham Development	49-1489-14	2012	\$72,756	\$66,000	\$72,756	\$0	0% withdrawn in 2011
8	2013-2020	Wareham Development	49-1489-14	2013	\$74,211	\$65,000	\$74,211	\$0	0% withdrawn in 2011
9	2012-4331	Wareham Development	49-1489-17	2012	\$44,389	\$40,000	\$41,100	\$3,289	7% 2011 stipulated value
10	2013-2017	Wareham Development	49-1328-3-2	2013	\$25,433	\$15,000	\$25,433	\$0	0% withdrawn in 2010
11	2013-2018	Wareham Development	49-1328-1-2	2013	\$8,029	\$6,800	\$6,800	\$1,229	15% reduced to applicant opinion of value
12	2012-4329	Wareham Development	49-1327-1-14	2012	\$118,300	\$112,000	\$112,000	\$6,300	5% reduced to applicant opinion of value
13	2013-2019	Wareham Development	49-1327-1-14	2013	\$118,300	\$108,000	\$108,000	\$10,300	9% reduced to applicant opinion of value
14	2012-3637	Wareham Development	49-1489-9-2	2012	\$1,480	\$444	\$1,169	\$311	21% reduced to 79% of contested value
15	2013-3504	HOLLIS STREET INVESTORS II LLC	49-1500-1-1	2013	\$15,663	\$7,832	\$12,374	\$3,289	21% reduced to 79% of contested value
16	2013-3505	HOLLIS STREET INVESTORS II LLC	49-1500-3	2013	\$192	\$96	\$192	\$0	0% withdrawn in 2011
17	2013-3506	HOLLIS STREET INVESTORS II LLC	49-1500-6	2013	\$22,330	\$11,165	\$22,330	\$0	0% withdrawn in 2011
18	2012-3626	HOLLIS STREET LLC	49-1041-20	2012	\$17,224	\$5,167	\$13,607	\$3,617	21% reduced to 79% of contested value
19	2013-2868	HOLLIS STREET LLC	49-1041-20	2013	\$17,568	\$5,271	\$13,879	\$3,689	21% reduced to 79% of contested value
20	2012-5158	HORN SUSAN	49-1487-10-3	2012	\$879	\$500	\$605	\$274	31% 2011 stipulated value
21	2013-2757	HORN, SUSAN	49-1487-10-3	2013	\$896	\$250	\$605	\$291	32% 2011 stipulated value
22	2012-5320	IKEA	49-617-1-10	2012	\$21,485	\$10,500	\$17,480	\$4,005	19% 2010 stipulated value



**Table 4.4**  
**Detail of Projected Assessed Value Impacts from Pending Appeals**  
**Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

		<b>Assessed Value: Pending Appeals (\$Thousands)</b>							
Appeal No.	Assessee	APN (secured appeals)	Roll Year	Contested Value Represented	Applicant Opinion Represented	Projected Resolved Value	Estimated Reduction	% reduction	Assumption for Estimated Assessed Value Impact
23	2013-746	IKEA	49-617-1-10	2013	\$21,915	\$10,900	\$17,480	\$4,435	20% 2010 stipulated value
24	2012-5328	IKEA	49-617-2-12	2012	\$15,602	\$7,800	\$12,697	\$2,905	19% 2010 stipulated value
25	2013-745	IKEA	49-617-2-12	2013	\$15,914	\$8,100	\$12,697	\$3,217	20% 2010 stipulated value
26	2011-6003	LBA RIV CO XII LLC	49-1513-1	2011	\$865	\$514	\$683	\$182	21% reduced to 79% of contested value
27	2012-4279	LBA RIV CO XII LLC	49-1513-1	2012	\$865	\$432	\$683	\$182	21% reduced to 79% of contested value
28	2013-1704	LBA RIV CO XII LLC	49-1513-1	2013	\$882	\$216	\$697	\$185	21% reduced to 79% of contested value
29	2011-6004	LBA RIV CO XII LLC	49-1513-2	2011	\$1,170	\$695	\$924	\$246	21% reduced to 79% of contested value
30	2012-4280	LBA RIV CO XII LLC	49-1513-2	2012	\$1,170	\$585	\$924	\$246	21% reduced to 79% of contested value
31	2013-1705	LBA RIV CO XII LLC	49-1513-2	2013	\$1,193	\$293	\$943	\$251	21% reduced to 79% of contested value
32	2011-6005	LBA RIV CO XII LLC	49-1513-4-1	2011	\$2,200	\$1,306	\$1,738	\$462	21% reduced to 79% of contested value
33	2012-4281	LBA RIV CO XII LLC	49-1513-4-1	2012	\$2,200	\$1,100	\$1,738	\$462	21% reduced to 79% of contested value
34	2013-1706	LBA RIV CO XII LLC	49-1513-4-1	2013	\$2,244	\$550	\$1,773	\$471	21% reduced to 79% of contested value
35	2011-6006	LBA RIV CO XII LLC	49-1513-6	2011	\$365	\$217	\$288	\$77	21% reduced to 79% of contested value
36	2012-4282	LBA RIV CO XII LLC	49-1513-6	2012	\$365	\$183	\$288	\$77	21% reduced to 79% of contested value
37	2013-1707	LBA RIV CO XII LLC	49-1513-6	2013	\$372	\$91	\$294	\$78	21% reduced to 79% of contested value
38	2012-3703	Madison Marquette	49-1039-4	2012	\$117	\$35	\$117	\$0	0% withdrawn in 2011
39	2013-2292	Madison Marquette	49-1039-4	2013	\$119	\$36	\$119	\$0	0% withdrawn in 2011
40	2012-3704	Madison Marquette	49-1039-5	2012	\$117	\$35	\$117	\$0	0% withdrawn in 2011
41	2013-2291	Madison Marquette	49-1039-5	2013	\$119	\$36	\$119	\$0	0% withdrawn in 2011
42	2012-3705	Madison Marquette	49-1039-6	2012	\$117	\$35	\$117	\$0	0% withdrawn in 2010
43	2013-2290	Madison Marquette	49-1039-6	2013	\$119	\$36	\$119	\$0	0% withdrawn in 2010
44	2012-3695	Madison Marquette	49-1038-11	2012	\$2,219	\$666	\$2,219	\$0	0% withdrawn in 2011
45	2013-2235	Madison Marquette	49-1038-11	2013	\$2,264	\$679	\$2,264	\$0	0% withdrawn in 2011
46	2009-9650	Madison Marquette	49-1038-12	2009	\$2,165	\$650	\$2,165	\$0	0% withdrawn in 2011
47	2012-3696	Madison Marquette	49-1038-12	2012	\$2,219	\$666	\$2,219	\$0	0% withdrawn in 2011
48	2013-2236	Madison Marquette	49-1038-12	2013	\$2,264	\$679	\$2,264	\$0	0% withdrawn in 2011
49	2012-3697	Madison Marquette	49-1038-13	2012	\$16,503	\$4,950	\$16,503	\$0	0% withdrawn in 2011
50	2013-2237	Madison Marquette	49-1038-13	2013	\$16,833	\$5,050	\$16,833	\$0	0% withdrawn in 2011
51	2012-3701	Madison Marquette	49-1038-9	2012	\$41,060	\$12,316	\$41,060	\$0	0% withdrawn in 2010
52	2013-2241	Madison Marquette	49-1038-9	2013	\$41,881	\$12,563	\$41,881	\$0	0% withdrawn in 2010
53	2012-3702	Madison Marquette	49-1039-3	2012	\$91,442	\$27,430	\$81,500	\$9,942	11% 2010 stipulated value
54	2013-2242	Madison Marquette	49-1039-3	2013	\$93,271	\$27,979	\$81,500	\$11,771	13% 2010 stipulated value
55	2012-3707	Madison Marquette	49-1039-8	2012	\$31,255	\$9,376	\$28,063	\$3,192	10% 2010 stipulated value
56	2013-2244	Madison Marquette	49-1039-8	2013	\$31,880	\$9,563	\$28,063	\$3,817	12% 2010 stipulated value
57	2013-2869	Novartis	49-1319-2-2	2013	\$4,999	\$1,500	\$4,999	\$0	0% withdrawn in 2011
58	2013-2870	Novartis	49-1489-9-2	2013	\$1,510	\$453	\$1,510	\$0	0% withdrawn in 2011

**Table 4.4**  
**Detail of Projected Assessed Value Impacts from Pending Appeals**  
**Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

		<b>Assessed Value: Pending Appeals (\$Thousands)</b>							
Appeal No.	Assessee	APN (secured appeals)	Roll Year	Contested Value Represented	Applicant Opinion Represented	Projected Resolved Value	Estimated Reduction	% reduction	Assumption for Estimated Assessed Value Impact
59	2010-5439	Novartis	49-1544-1-1	2010	\$6,670	\$3,334	\$6,670	\$0	0% withdrawn in 2009
60	2011-5494	Novartis	49-1544-1-1	2011	\$6,720	\$3,400	\$6,720	\$0	0% withdrawn in 2009
61	2012-3641	Novartis	49-1544-1-1	2012	\$6,854	\$2,056	\$6,854	\$0	0% withdrawn in 2009
62	2013-2892	Novartis	49-1544-1-1	2013	\$6,991	\$2,097	\$6,991	\$0	0% withdrawn in 2009
63	2013-2887	Novartis	49-1544-2	2013	\$2,663	\$799	\$2,663	\$0	0% withdrawn in 2010
64	2013-2888	Novartis	49-1544-3	2013	\$666	\$200	\$150	\$516	77% 2011 stipulated value
65	2012-3645	Novartis	49-1544-5	2012	\$44	\$13	\$34	\$9	21% reduced to 79% of contested value
66	2013-2897	Novartis	49-1544-5	2013	\$44	\$13	\$35	\$9	21% reduced to 79% of contested value
67	2012-3646	Novartis	49-1544-6	2012	\$218	\$65	\$172	\$46	21% reduced to 79% of contested value
68	2013-2898	Novartis	49-1544-6	2013	\$222	\$67	\$175	\$47	21% reduced to 79% of contested value
69	2012-3623	P & H ASSOCIATES	49-1034-1-3	2012	\$1,490	\$447	\$1,177	\$313	21% reduced to 79% of contested value
70	2013-2865	P & H ASSOCIATES	49-1034-1-3	2013	\$1,520	\$456	\$1,201	\$319	21% reduced to 79% of contested value
71	2012-3624	P & H ASSOCIATES	49-1034-1-4	2012	\$772	\$231	\$610	\$162	21% reduced to 79% of contested value
72	2013-2866	P & H ASSOCIATES	49-1034-1-4	2013	\$787	\$236	\$622	\$165	21% reduced to 79% of contested value
73	2011-5480	PIXAR ANIMATION STUDIOS	49-1027-37	2011	\$5,104	\$2,500	\$5,104	\$0	0% withdrawn in 2010
74	2012-2077	PIXAR ANIMATION STUDIOS	49-1027-37-2	2012	\$5,206	\$2,600	\$3,735	\$1,471	28% reduced to 2013 value
75	2011-5478	PIXAR ANIMATION STUDIOS	49-1539-1	2011	\$176,366	\$88,100	\$110,000	\$66,366	38% 2010 stipulated value
76	2012-2076	PIXAR ANIMATION STUDIOS	49-1539-1	2012	\$182,212	\$90,000	\$110,000	\$72,212	40% 2010 stipulated value
77	2013-2458	PIXAR ANIMATION STUDIOS	49-1539-1	2013	\$185,855	\$75,600	\$110,000	\$75,855	41% 2010 stipulated value
78	2011-5479	PIXAR ANIMATION STUDIOS	49-1539-2	2011	\$16,171	\$8,000	\$16,171	\$0	0% withdrawn in 2010
79	2013-2459	PIXAR ANIMATION STUDIOS	49-1539-2	2013	\$16,825	\$8,300	\$16,825	\$0	0% withdrawn in 2010
80	2012-2075	PIXAR ANIMATION STUDIOS	49-1539-2	2012	\$16,495	\$8,200	\$16,495	\$0	0% withdrawn in 2010
81	2012-3636	SCHMIER ERIC S TR & KENNETH J TR ET,	49-1319-2-2	2012	\$4,901	\$1,470	\$3,872	\$1,029	21% reduced to 79% of contested value
82	2009-7895	STRS OHIO CA REAL ESTATE INVESTME	49-1543-1	2009	\$99,435	\$76,057	\$78,554	\$20,881	21% reduced to 79% of contested value
83	2009-7895	STRS OHIO CA REAL ESTATE INVESTME	49-1543-1	2009	\$571	\$436	\$451	\$120	21% reduced to 79% of contested value
84	2010-5066	STRS OHIO CA REAL ESTATE INVESTME	49-1543-1	2010	\$99,199	\$29,756	\$78,367	\$20,832	21% reduced to 79% of contested value
85	2010-5066	STRS OHIO CA REAL ESTATE INVESTME	49-1543-1	2010	\$636	\$189	\$503	\$134	21% reduced to 79% of contested value
86	2012-4182	STRS OHIO CA REAL ESTATE INVESTME	49-1543-1	2012	\$101,944	\$50,968	\$80,536	\$21,408	21% reduced to 79% of contested value
87	2013-2534	STRS OHIO CA REAL ESTATE INVESTME	49-1543-1	2013	\$103,982	\$49,825	\$82,146	\$21,836	21% reduced to 79% of contested value
88	2011-5580	STRS OHIO CA REAL ESTATE INVESTME	49-1543-1	2011	\$99,946	\$29,981	\$78,957	\$20,989	21% reduced to 79% of contested value
Shellmound Secured Roll Appeals			88	\$2,206,833	\$1,161,172	\$1,794,813	\$412,020	19%	
Shellmound 2013 Secured Appeals			37	\$840,647	\$436,231	\$698,732	\$141,915	17%	

**Table 4.4**  
**Detail of Projected Assessed Value Impacts from Pending Appeals**  
**Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

Appeal No.	Assessee	APN (secured appeals)	Roll Year	Assessed Value: Pending Appeals (\$Thousands)					
				Contested Value Represented	Applicant Opinion Represented	Projected Resolved Value	Estimated Reduction	% reduction	Assumption for Estimated Assessed Value Impact
<b>III. Unsecured Roll Appeals: Emeryville Project Area</b>									
1	2013-645	C/O QUANTIVO	2013	\$66	\$15	\$52	\$14	21%	reduced to 79% of contested value
2	2012-4684	CARLSON FINANCIAL MANAGEMENT	2012	\$37	\$15	\$29	\$8	21%	reduced to 79% of contested value
3	2013-1993	FAIRBANKS ENTERPRISES, LLC	2013	\$50	\$6	\$40	\$11	21%	reduced to 79% of contested value
4	2013-661	GRACENOTE INC	2013	\$8,109	\$6,603	\$6,603	\$1,506	19%	reduced to applicant opinion of value
5	2010-5979	GRACENOTE, INC	2010	\$57,500	\$1,246	\$45,425	\$12,075	21%	reduced to 79% of contested value
6	2012-2641	JAMBA JUICE COMPANY	2012	\$7,118	\$4,487	\$6,135	\$984	14%	2011 stipulated value
7	2012-685	Novartis	2012	\$329	\$0	\$260	\$69	21%	reduced to 79% of contested value
8	2012-686	Novartis	2012	\$3,125	\$0	\$2,469	\$656	21%	reduced to 79% of contested value
9	2012-687	Novartis	2012	\$842	\$0	\$665	\$177	21%	reduced to 79% of contested value
10	2012-688	Novartis	2012	\$1,514	\$0	\$1,196	\$318	21%	reduced to 79% of contested value
11	2012-3983	Novartis	2012	\$11,392	\$5,696	\$9,000	\$2,392	21%	reduced to 79% of contested value
12	2012-3985	Novartis	2012	\$19,807	\$9,904	\$15,648	\$4,160	21%	reduced to 79% of contested value
13	2012-3986	Novartis	2012	\$2,943	\$1,472	\$2,325	\$618	21%	reduced to 79% of contested value
14	2012-3987	Novartis	2012	\$1,295	\$647	\$1,023	\$272	21%	reduced to 79% of contested value
15	2012-3988	Novartis	2012	\$28,469	\$14,234	\$22,490	\$5,978	21%	reduced to 79% of contested value
16	2012-689	Novartis	2012	\$7,625	\$0	\$6,024	\$1,601	21%	reduced to 79% of contested value
17	2012-690	Novartis	2012	\$7,678	\$0	\$6,066	\$1,612	21%	reduced to 79% of contested value
18	2012-691	Novartis	2012	\$6,648	\$0	\$5,252	\$1,396	21%	reduced to 79% of contested value
19	2012-692	Novartis	2012	\$5,604	\$0	\$4,427	\$1,177	21%	reduced to 79% of contested value
20	2012-697	Novartis	2012	\$1,924	\$0	\$1,520	\$404	21%	reduced to 79% of contested value
21	2012-699	Novartis	2012	\$159	\$0	\$126	\$33	21%	reduced to 79% of contested value
22	2012-700	Novartis	2012	\$181	\$0	\$143	\$38	21%	reduced to 79% of contested value
23	2012-701	Novartis	2012	\$152	\$0	\$120	\$32	21%	reduced to 79% of contested value
24	2012-702	Novartis	2012	\$128	\$0	\$101	\$27	21%	reduced to 79% of contested value
25	2012-4106	Novartis	2012	\$2,406	\$1,050	\$1,901	\$505	21%	reduced to 79% of contested value
26	2012-705	Novartis	2012	\$589	\$0	\$466	\$124	21%	reduced to 79% of contested value
27	2013-937	Novartis	2013	\$2,161	\$1,080	\$1,707	\$454	21%	reduced to 79% of contested value
28	2013-938	Novartis	2013	\$1,079	\$538	\$852	\$227	21%	reduced to 79% of contested value
29	2013-939	Novartis	2013	\$31,460	\$15,730	\$24,853	\$6,607	21%	reduced to 79% of contested value
30	2013-940	Novartis	2013	\$19,735	\$9,867	\$15,591	\$4,144	21%	reduced to 79% of contested value
31	2013-942	Novartis	2013	\$9,957	\$4,978	\$7,866	\$2,091	21%	reduced to 79% of contested value
32	2013-943	Novartis	2013	\$5,736	\$2,868	\$4,531	\$1,205	21%	reduced to 79% of contested value
33	2013-944	Novartis	2013	\$2,385	\$1,192	\$1,884	\$501	21%	reduced to 79% of contested value
34	2013-555	SAFEWAY INC #3125	2013	\$705	\$353	\$557	\$148	21%	reduced to 79% of contested value

**Table 4.4**  
**Detail of Projected Assessed Value Impacts from Pending Appeals**  
**Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

		<b>Assessed Value: Pending Appeals (\$Thousands)</b>							
Appeal No.	Assessee	APN (secured appeals)	Roll Year	Contested Value Represented	Applicant Opinion Represented	Projected Resolved Value	Estimated Reduction	% reduction	Assumption for Estimated Assessed Value Impact
35	2010-6150	SB RESTAURANT CO	2010	\$209	\$0	\$165	\$44	21%	reduced to 79% of contested value
36	2010-6150	SB RESTAURANT CO	2010	\$809	\$809	\$809	\$0	0%	reduced to applicant opinion of value
37	2010-6151	SB RESTAURANT CO	2010	\$194	\$0	\$153	\$41	21%	reduced to 79% of contested value
38	2010-6151	SB RESTAURANT CO	2010	\$834	\$834	\$834	\$0	0%	reduced to applicant opinion of value
39	2010-6152	SB RESTAURANT CO	2010	\$199	\$0	\$157	\$42	21%	reduced to 79% of contested value
40	2010-6152	SB RESTAURANT CO	2010	\$785	\$785	\$785	\$0	0%	reduced to applicant opinion of value
41	2010-6153	SB RESTAURANT CO	2010	\$420	\$0	\$332	\$88	21%	reduced to 79% of contested value
42	2010-6153	SB RESTAURANT CO	2010	\$522	\$522	\$522	\$0	0%	reduced to applicant opinion of value
43	2011-6109	WASTE MANAGEMENT OF ALAMEDA COUNTY	2011	\$431	\$727	\$431	\$0	0%	assessor opinion (less than applicant)
44	2013-3119	WILLIAMS-SONOMA STORES INC.	2013	\$478	\$220	\$378	\$100	21%	reduced to 79% of contested value
Emeryville Unsecured Roll Appeals			44	\$253,791	\$85,881	\$201,913	\$51,878	20%	
Emeryville 2013 Unsecured Appeals			12	\$81,920	\$43,452	\$64,914	\$17,006	21%	

**IV. Unsecured Roll Appeals: Shellmound Project Area**

1	2013-1630	2 PLUS 2 PARTNERS, INC	2013	\$275	\$87	\$217	\$58	21%	reduced to 79% of contested value
2	2013-2565	ACRYLIC ART INC	2013	\$858	\$285	\$678	\$180	21%	reduced to 79% of contested value
3	2012-1821	AMERICAN MULTI CINEMA INC	2012	\$3,626	\$863	\$3,626	\$0	0%	withdrawn in 2011
4	2012-5630	BONDOWSKI & ASSOCIATES, INC.	2012	\$189	\$28	\$149	\$40	21%	reduced to 79% of contested value
5	2012-3992	CC MEDIA HOLDING INC.	2012	\$88	\$60	\$69	\$18	21%	reduced to 79% of contested value
6	2011-3729	CC MEDIA HOLDINGS INC	2011	\$90	\$60	\$71	\$19	21%	reduced to 79% of contested value
7	2011-3976	COMCAST OF CA/CO LLC	2011	\$552	\$55	\$436	\$116	21%	reduced to 79% of contested value
8	2012-4601	COMCAST OF CALIFORNIA COLORADO LLC	2012	\$566	\$441	\$447	\$119	21%	reduced to 79% of contested value
9	2012-5533	DEPUY ORTHOPAEDICS INC	2012	\$1,221	\$145	\$964	\$256	21%	reduced to 79% of contested value
10	2012-5808	DEPUY ORTHOPAEDICS, INC	2012	\$1,092	\$129	\$863	\$229	21%	reduced to 79% of contested value
11	2012-5809	DEPUY ORTHOPAEDICS, INC	2012	\$986	\$234	\$779	\$207	21%	reduced to 79% of contested value
12	2012-5810	DEPUY ORTHOPAEDICS, INC	2012	\$1,221	\$165	\$964	\$256	21%	reduced to 79% of contested value
13	2012-6264	EVAULT A SEAGATE CO	2012	\$4,753	\$1,901	\$3,755	\$998	21%	reduced to 79% of contested value
14	2012-6266	EVAULT A SEAGATE CO	2012	\$3,590	\$1,436	\$2,836	\$754	21%	reduced to 79% of contested value
15	2012-6268	EVAULT A SEAGATE CO	2012	\$3,001	\$1,200	\$2,371	\$630	21%	reduced to 79% of contested value
16	2011-4743	HALOTECHNICS INC	2011	\$119	\$13	\$94	\$25	21%	reduced to 79% of contested value
17	2012-5833	HALOTECHNICS INC	2012	\$197	\$24	\$155	\$41	21%	reduced to 79% of contested value
18	2012-5834	HALOTECHNICS INC	2012	\$123	\$14	\$98	\$26	21%	reduced to 79% of contested value
19	2011-5703	IKEA	2011	\$6,025	\$3,100	\$4,760	\$1,265	21%	reduced to 79% of contested value
20	2012-5319	IKEA	2012	\$5,963	\$2,950	\$4,711	\$1,252	21%	reduced to 79% of contested value
21	2011-1030	KODAK IMAGING NETWORK INC	2011	\$9,499	\$6,445	\$7,504	\$1,995	21%	reduced to 79% of contested value
22	2011-1031	KODAK IMAGING NETWORK INC	2011	\$3,054	\$0	\$2,412	\$641	21%	reduced to 79% of contested value

**Table 4.4**  
**Detail of Projected Assessed Value Impacts from Pending Appeals**  
**Emeryville and Shellmound Park Project Areas**  
**Emeryville Successor Agency**

		<b>Assessed Value: Pending Appeals (\$Thousands)</b>							
Appeal No.	Assessee	APN (secured appeals)	Roll Year	Contested Value Represented	Applicant Opinion Represented	Projected Resolved Value	Estimated Reduction	% reduction	Assumption for Estimated Assessed Value Impact
23	2011-1032	KODAK IMAGING NETWORK INC	2011	\$6,743	\$0	\$5,327	\$1,416	21%	reduced to 79% of contested value
24	2011-1033	KODAK IMAGING NETWORK INC	2011	\$4,600	\$0	\$3,634	\$966	21%	reduced to 79% of contested value
25	2012-3874	KODAK IMAGING NETWORK INC. DBA: OFOTO	2012	\$4,856	\$500	\$3,836	\$1,020	21%	reduced to 79% of contested value
26	2013-383	LUX APPRAISERS	2013	\$48	\$1	\$38	\$10	21%	reduced to 79% of contested value
27	2012-1229	MODERN COFFEE ENTERPRISES INC	2012	\$202	\$118	\$160	\$42	21%	reduced to 79% of contested value
28	2012-3984	Novartis	2012	\$4,500	\$2,250	\$3,555	\$945	21%	reduced to 79% of contested value
29	2012-693	Novartis	2012	\$1,164	\$0	\$920	\$245	21%	reduced to 79% of contested value
30	2012-694	Novartis	2012	\$1,178	\$0	\$930	\$247	21%	reduced to 79% of contested value
31	2012-695	Novartis	2012	\$1,039	\$0	\$821	\$218	21%	reduced to 79% of contested value
32	2012-1856	Novartis	2012	\$1,164	\$0	\$920	\$245	21%	reduced to 79% of contested value
33	2012-1857	Novartis	2012	\$1,178	\$0	\$930	\$247	21%	reduced to 79% of contested value
34	2012-1858	Novartis	2012	\$1,039	\$0	\$821	\$218	21%	reduced to 79% of contested value
35	2012-704	Novartis	2012	\$142	\$0	\$112	\$30	21%	reduced to 79% of contested value
36	2012-706	Novartis	2012	\$244	\$0	\$193	\$51	21%	reduced to 79% of contested value
37	2012-707	Novartis	2012	\$45	\$0	\$35	\$9	21%	reduced to 79% of contested value
38	2012-708	Novartis	2012	\$38	\$0	\$30	\$8	21%	reduced to 79% of contested value
39	2012-709	Novartis	2012	\$33	\$0	\$26	\$7	21%	reduced to 79% of contested value
40	2013-941	Novartis	2013	\$3,615	\$1,808	\$2,856	\$759	21%	reduced to 79% of contested value
41	2011-5413	PIXAR ANIMATION STUDIOS	2011	\$40,813	\$20,400	\$40,813	\$0	0%	withdrawn in 2010
42	2012-4872	PIXAR ANIMATION STUDIOS	2012	\$53,074	\$26,500	\$53,074	\$0	0%	withdrawn in 2010
43	2013-1422	PIXAR ANIMATION STUDIOS	2013	\$48,690	\$24,331	\$48,690	\$0	0%	withdrawn in 2010
44	2012-5436	RED BULL NORTH AMERICAN INC.	2012	\$953	\$791	\$791	\$162	17%	reduced to applicant opinion of value
45	2013-2480	SAFETY-KLEEN SYSTEMS, INC.	2013	\$6	\$1	\$5	\$1	21%	reduced to 79% of contested value
Shellmound Unsecured Roll Appeals			45	\$222,451	\$96,334	\$206,477	\$15,974	7%	
Shellmound 2013 Unsecured Appeals			6	\$53,492	\$26,513	\$52,484	\$1,009	2%	
All Secured and Unsecured Appeals				\$4,043,033	\$1,945,870	\$3,356,382	\$686,650	17%	
All Secured and Unsecured 2013 Appeals				\$1,655,295	\$805,505	\$1,401,118	\$254,178	15%	

Source: Alameda County Assessment Appeals Database

Note: does not include 13 appeal filings deemed to represent repeat filings with respect to the same parcel for the same tax year.

**Table 5.1**

**Receipts to Levy Analysis for Regular Secured and Unsecured Taxes**

**Emeryville Project Area**

**Emeryville Successor Agency**

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>I. Reported Assessed Value</b>						
Project Area Assessed Value						
Secured & Nonunitary (SBE)	\$2,091,832,616	\$2,155,700,214	\$2,119,268,372	\$1,772,561,771	\$1,804,751,586	\$1,905,868,992
Unsecured	152,619,242	106,689,114	123,982,648	154,761,771	120,009,677	129,584,541
	<u>2,244,451,858</u>	<u>2,262,389,328</u>	<u>2,243,251,020</u>	<u>1,927,323,542</u>	<u>1,924,761,263</u>	<u>2,035,453,533</u>
Less: Base Year Value						
Secured	79,644,360	79,644,360	79,644,360	79,644,360	79,644,360	79,644,360
Unsecured	30,943,260	30,943,260	30,943,260	30,943,260	30,943,260	30,943,260
	<u>110,587,620</u>	<u>110,587,620</u>	<u>110,587,620</u>	<u>110,587,620</u>	<u>110,587,620</u>	<u>110,587,620</u>
Incremental Value						
Secured	2,012,188,256	2,076,055,854	2,039,624,012	1,692,917,411	1,725,107,226	1,826,224,632
Unsecured	121,675,982	75,745,854	93,039,388	123,818,511	89,066,417	98,641,281
	<u>2,133,864,238</u>	<u>2,151,801,708</u>	<u>2,132,663,400</u>	<u>1,816,735,922</u>	<u>1,814,173,643</u>	<u>1,924,865,913</u>
Secured Tax Rate <sup>(1)</sup>	1.0164%	1.0173%	1.0151%	1.0065%	1.0000%	1.0000%
Unsecured Tax Rate <sup>(1)</sup>	1.0145%	1.0164%	1.0173%	1.0076%	1.0000%	1.0000%
<b>II. Computed Levy <sup>(2)</sup></b>	<b>21,686,340</b>	<b>21,889,653</b>	<b>21,650,769</b>	<b>18,286,803</b>	<b>18,141,792</b>	<b>19,248,715</b>
(secured and unsecured taxes only)						
<b>III. Taxes Allocated <sup>(3)</sup></b>	<b>21,686,340</b>	<b>21,889,653</b>	<b>21,650,770</b>	<b>18,286,803</b>	<b>18,141,792</b>	<b>19,248,714</b>
(secured and unsecured taxes only)						
<b>IV. Variance From Computed Levy</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1</b>	<b>(\$1)</b>	<b>(\$0)</b>	<b>(\$1)</b>
<b>% Collections</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>(1)</sup> With dissolution of redevelopment, the County no longer includes pre-1989 voter approved over-ride levies in excess of the basic 1% property tax rate as part of RPTTF / former tax increment. FY 2011-12 reflects levies in excess of 1% for half the year prior to the effective date of dissolution. FY 2012-13 & 13-14 reflect only the basic 1% levy.

<sup>(2)</sup> Includes \$56 positive adjustment to computed levy consistent with County practice. Basis for adjustment not reviewed by KMA.

<sup>(3)</sup> Amounts do not include unitary taxes, supplemental taxes, prior year adjustments, or interest earnings. Amounts are prior to deduction of pass through payments and County administrative expenses.

Source: Alameda County Auditor-Controller.

Prepared by Keyser Marston Associates, Inc.

\\Sf-fs2\wp\12\12092\012\Levy to Receipts 6-17-2014; Table 5.1; 6/17/2014; dd

**Table 5.2**

**Receipts to Levy Analysis for Regular Secured and Unsecured Taxes**

**Shellmound Park Project Area**

**Emeryville Successor Agency**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>I. Reported Assessed Value</b>						
Project Area Assessed Value						
Secured & Nonunitary (SBE)	\$1,387,835,979	\$1,410,038,834	\$1,416,941,574	\$1,440,598,628	\$1,526,856,428	\$1,553,260,718
Unsecured	158,701,622	161,981,435	157,682,373	174,807,021	173,200,583	164,225,101
	<u>1,546,537,601</u>	<u>1,572,020,269</u>	<u>1,574,623,947</u>	<u>1,615,405,649</u>	<u>1,700,057,011</u>	<u>1,717,485,819</u>
Less: Base Year Value						
Secured	151,595,307	151,595,307	151,595,307	151,595,307	151,595,307	151,595,307
Unsecured	36,200,333	36,200,333	36,200,333	36,200,333	36,200,333	36,200,333
	<u>187,795,640</u>	<u>187,795,640</u>	<u>187,795,640</u>	<u>187,795,640</u>	<u>187,795,640</u>	<u>187,795,640</u>
Incremental Value						
Secured	1,236,240,672	1,258,443,527	1,265,346,267	1,289,003,321	1,375,261,121	1,401,665,411
Unsecured	122,501,289	125,781,102	121,482,040	138,606,688	137,000,250	128,024,768
	<u>1,358,741,961</u>	<u>1,384,224,629</u>	<u>1,386,828,307</u>	<u>1,427,610,009</u>	<u>1,512,261,371</u>	<u>1,529,690,179</u>
Secured Tax Rate <sup>(1)</sup>	1.0164%	1.0173%	1.0151%	1.0065%	1.0000%	1.0000%
Unsecured Tax Rate <sup>(1)</sup>	1.0145%	1.0164%	1.0173%	1.0076%	1.0000%	1.0000%
<b>II. Computed Levy <sup>(2)</sup></b>	13,807,926	14,080,585	14,080,367	14,370,350	15,122,614	15,296,902
(secured and unsecured taxes only)						
<b>III. Taxes Allocated <sup>(3)</sup></b>	13,807,925	14,080,585	14,080,367	14,370,350	15,122,612	15,296,900
(secured and unsecured taxes only)						
<b>IV. Variance From Computed Levy</b>	(\$1)	\$0	\$0	\$0	(\$2)	(\$2)
<b>% Collections</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>(1)</sup> With dissolution of redevelopment, the County no longer includes pre-1989 voter approved over-ride levies in excess of the basic 1% property tax rate as part of RPTTF / former tax increment. FY 2011-12 reflects levies in excess of 1% for half the year prior to the effective date of dissolution. FY 2012-13 & 13-14 reflect only the basic 1% levy.

<sup>(2)</sup> Amounts shown are as reported by the Alameda County Auditor-Controller.

<sup>(3)</sup> Amounts do not include unitary taxes, supplemental taxes, prior year adjustments, or interest earnings. Amounts are prior to deduction of pass through payments and County administrative expenses.

Source: Alameda County Auditor-Controller.

**Table 6.0****Successor Agency Historic Tax Revenues****Emeryville Successor Agency**

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>1 Successor Agency Historic Tax Revenues</b> (see Table 6.1 for detail by project area)						
Gross Collections						
Regular Secured / Unsecured	35,494,265	35,970,238	35,731,137	32,657,153	33,264,404	34,545,615
Unitary	99,083	95,395	98,445	120,921	132,020	105,082
Supplemental and Other <sup>(1)</sup>	<u>2,931,530</u>	<u>720,362</u>	<u>1,868,237</u>	<u>247,443</u>	<u>(126,572)</u>	<u>726,533</u>
Subtotal Gross Collections	38,524,879	36,785,995	37,697,819	33,025,516	33,269,852	35,377,230
Less: County Admin Expenses	(234,518)	(270,559)	(285,421)	(264,751)	(338,642)	(341,247)
Less: Pass Throughs <sup>(2)</sup>	(6,252,920)	(6,382,699)	(5,368,843)	(5,437,255)	(5,666,149)	(6,114,616)
<b>Total Tax Revenues</b>	<b>32,037,440</b>	<b>30,132,737</b>	<b>32,043,555</b>	<b>27,323,510</b>	<b>27,265,061</b>	<b>28,921,367</b>
Percent change		-6%	6%	-15%	0%	6%

**2 Post-Dissolution Allocations of Tax Revenues**

## a. To Successor Agency Based on Approved ROPS

January allocations [ROPS I, III, 13-14B]	14,449,788	2,382,489	14,132,839
June allocations [ROPS II, 13-14A, 14-15A]	<u>8,954,249</u>	<u>13,484,095</u>	<u>3,155,528</u>
Total for Obligations on Approved ROPS	23,404,037	15,866,584	17,288,367

## b. "Residual" allocated to taxing agencies

3,919,472	11,398,477	11,633,000
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<sup>(1)</sup> Includes prior year adjustments and pooled interest earnings.<sup>(2)</sup> Pass throughs for FY 2009-10 included a prior year pass through adjustment of \$903,178.

Sources: Alameda County Auditor-Controller and Successor Agency.



**Table 6.1**

**Historic Tax Revenues by Project Area**

**Emeryville Successor Agency**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>1 Emeryville Historic Tax Revenues</b>						
Gross Collections						
Regular Secured / Unsecured <sup>(1)</sup>	\$21,686,340	\$21,889,653	\$21,650,770	\$18,286,803	\$18,141,792	\$19,248,714
Unitary	84,569	81,068	83,316	98,852	103,900	93,079
Supplemental and Other <sup>(2) (3)</sup>	<u>2,230,238</u>	<u>180,993</u>	<u>1,532,766</u>	<u>74,613</u>	<u>(238,969)</u>	<u>558,731</u>
Subtotal Gross Collections	24,001,146	22,151,715	23,266,853	18,460,267	18,006,723	19,900,524
Less: County Admin Expenses <sup>(3)</sup>	(160,413)	(186,477)	(195,261)	(169,834)	(188,262)	(196,108)
Less: Pass Throughs	(2,047,650)	(1,195,139)	(1,158,092)	(986,955)	(921,086)	(1,243,358)
<b>Emeryville Tax Revenues</b>	<b>21,793,083</b>	<b>20,770,100</b>	<b>21,913,499</b>	<b>17,303,478</b>	<b>16,897,375</b>	<b>18,461,058</b>
Percent change		-5%	6%	-21%	-2%	9%
<b>2 Shellmound Park Historic Tax Revenues</b>						
Gross Collections						
Regular Secured / Unsecured <sup>(1)</sup>	13,807,925	14,080,585	14,080,367	14,370,350	15,122,612	15,296,900
Unitary	14,515	14,327	15,129	22,069	28,120	12,003
Supplemental and Other <sup>(2) (3)</sup>	<u>701,293</u>	<u>539,368</u>	<u>335,470</u>	<u>172,830</u>	<u>112,398</u>	<u>167,802</u>
Subtotal Gross Collections	14,523,732	14,634,280	14,430,966	14,565,249	15,263,129	15,476,705
Less: County Admin Expenses <sup>(3)</sup>	(74,105)	(84,082)	(90,159)	(94,917)	(150,379)	(145,139)
Less: Pass Throughs <sup>(4)</sup>	(4,205,270)	(5,187,561)	(4,210,751)	(4,450,300)	(4,745,064)	(4,871,258)
<b>Shellmound Park Tax Revenues</b>	<b>10,244,357</b>	<b>9,362,637</b>	<b>10,130,056</b>	<b>10,020,032</b>	<b>10,367,686</b>	<b>10,460,308</b>
Percent change		-9%	8%	-1%	3%	1%
<b>3 Total Tax Revenues</b>	<b>32,037,440</b>	<b>30,132,737</b>	<b>32,043,555</b>	<b>27,323,510</b>	<b>27,265,061</b>	<b>28,921,367</b>

(1) See Tables 5.1 and 5.2 for the calculation of this amount based upon the incremental assessed valuation of the Project Areas.

(2) Includes prior year adjustments and pooled interest earnings.

(3) Amounts for FY 11-12 through 13-14 were aggregated by the County at the Successor Agency level and reflect a KMA estimated allocation between Project Areas.

(4) Pass throughs for FY 2009-10 included a prior year pass through adjustment of \$903,178. Pass throughs for FY 13-14 reflect KMA estimate of allocation by Project Area.

Sources: Alameda County Auditor-Controller and Successor Agency.

**Table 7.0**  
**Summary of Projected Tax Revenues - 2% Growth**  
**Emeryville Successor Agency**

**GROWTH AT 2% PER YEAR**

<u>Fiscal Year</u>	<u>Emeryville Tax Revenues</u> (Table 7.1)	<u>Shellmound Park Tax Revenues</u> (Table 7.2)	<u>Total Tax Revenues</u>
2013-14	\$17,903	\$10,364	\$28,267
2014-15	17,083	9,531	26,614
2015-16	17,367	9,691	27,058
2016-17	17,657	9,853	27,510
2017-18	17,944	10,019	27,963
2018-19	18,191	10,162	28,353
2019-20	18,444	10,307	28,751
2020-21	18,701	10,452	29,154
2021-22	18,964	10,601	29,565
2022-23	19,232	10,752	29,984
2023-24	19,505	10,907	30,412
2024-25	19,784	11,064	30,849
2025-26	20,069	11,225	31,294
2026-27	20,359	11,389	31,748
2027-28	20,655	11,556	32,211
2028-29	20,957	11,727	32,683
2029-30	21,264	11,901	33,165
2030-31	0	12,078	12,078
2031-32	0	12,259	12,259
2032-33	0	12,444	12,444
2033-34	0	12,632	12,632
2034-35	0	12,824	12,824
2035-36	0	13,020	13,020
2036-37	0	13,220	13,220
2037-38	0	6,939	6,939
2038-39	0	0	0

Actual taxable values and RPTTF revenues may vary from the amounts in this projection.  
 Prepared by Keyser Marston Associates, Inc.  
 \\Sf-fs2\wp\12\12092\012\Emeryville FCR TI Proj 5-22-2014; Summary; 5/22/2014; dd

**Table 7.1**  
**Projection of Tax Revenues - 2% Growth**  
**Emeryville Project Area**  
**Emeryville Successor Agency**  
**\$Thousands**

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GROWTH AT 2% PER YEAR

	Reported AV 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>I. Real Property Assessed Value</b>	1,862,072	1,862,072	1,776,526	1,812,056	1,848,298	1,885,264	1,922,969	1,961,428	2,000,657	2,040,670
Prop 13 Inflationary Growth <sup>(1)</sup>	0	8,454	35,531	36,241	36,966	37,705	38,459	39,229	40,013	40,813
Estimated Appeal Reduction	0	(94,000)	0	0	0	0	0	0	0	0
Total Real Property	1,862,072	1,776,526	1,812,056	1,848,298	1,885,264	1,922,969	1,961,428	2,000,657	2,040,670	2,081,483
<b>II. Personal Property Assessed Value</b>	173,381	173,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381
Estimated Appeal Reduction	0	(17,000)	0	0	0	0	0	0	0	0
Total Personal Property	173,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381
<b>III. Total Assessed Value</b>	2,035,454	1,932,907	1,968,438	2,004,679	2,041,645	2,079,350	2,117,810	2,157,038	2,197,051	2,237,865
Less Base Value	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)
Incremental Value	1,924,866	1,822,320	1,857,850	1,894,091	1,931,057	1,968,763	2,007,222	2,046,451	2,086,464	2,127,277
<b>IV. Gross RPTTF at 1% of Incr Value</b>	19,249	18,223	18,579	18,941	19,311	19,688	20,072	20,465	20,865	21,273
SBE Unitary Revenue	104	104	104	104	104	104	104	104	104	104
Subtotal Gross Tax Increment	19,353	18,327	18,683	19,045	19,415	19,792	20,176	20,569	20,969	21,377
<b>V. Less: County Admin &amp; Pass Through</b>										
County Admin Expense <sup>(2)</sup>	1.0%	192	192	192	192	193	197	201	205	209
Statutory Pass Through (H&S 33607.5) <sup>(3)</sup>		1,257	1,052	1,123	1,196	1,278	1,403	1,532	1,662	1,796
Total Co. Admin and Pass Throughs		1,450	1,245	1,316	1,388	1,471	1,600	1,732	1,867	2,005
<b>VI. Emeryville Tax Revenues</b>	17,903	17,083	17,367	17,657	17,944	18,191	18,444	18,701	18,964	19,232

Notes:

- <sup>(1)</sup> Based upon 2% maximum prop 13 inflationary growth factor except in FY 2014-15 based on reported factor of 0.454%.
- <sup>(2)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.
- <sup>(3)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.

**Table 7.1**  
**Projection of Tax Revenues - 2% Growth**  
**Emeryville Project Area**  
**Emeryville Successor Agency**

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GROWTH AT 2% PER YEAR

	TI Receipt 7/27/2030						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
<b>I. Real Property Assessed Value</b>	2,081,483	2,123,113	2,165,575	2,208,887	2,253,064	2,298,126	2,344,088
Prop 13 Inflationary Growth <sup>(1)</sup>	41,630	42,462	43,312	44,178	45,061	45,963	46,882
Estimated Appeal Reduction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Property	2,123,113	2,165,575	2,208,887	2,253,064	2,298,126	2,344,088	2,390,970
<b>II. Personal Property Assessed Value</b>	156,381	156,381	156,381	156,381	156,381	156,381	156,381
Estimated Appeal Reduction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Personal Property	156,381	156,381	156,381	156,381	156,381	156,381	156,381
<b>III. Total Assessed Value</b>	2,279,494	2,321,957	2,365,268	2,409,446	2,454,507	2,500,470	2,547,351
Less Base Value	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>
Incremental Value	2,168,907	2,211,369	2,254,680	2,298,858	2,343,920	2,389,882	2,436,764
<b>IV. Gross RPTTF at 1% of Incr Value</b>	21,689	22,114	22,547	22,989	23,439	23,899	24,368
SBE Unitary Revenue	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>
Subtotal Gross Tax Increment	21,793	22,218	22,651	23,093	23,543	24,003	24,472
<b>V. Less: County Admin &amp; Pass Through</b>							
County Admin Expense <sup>(2)</sup>	1.0%	217	221	225	230	234	244
Statutory Pass Through (H&S 33607.5) <sup>(3)</sup>		2,071	2,212	2,357	2,504	2,654	2,964
Total Co. Admin and Pass Throughs		2,288	2,433	2,582	2,734	2,889	3,207
<b>VI. Emeryville Tax Revenues</b>	19,505	19,784	20,069	20,359	20,655	20,957	21,264

Notes:

<sup>(1)</sup> Based upon 2% maximum prop 13 inflationary growth factor except in FY 2014-15 based on reported factor of 0.454%.

<sup>(2)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.

<sup>(3)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.

Actual taxable values and RPTTF revenues may vary from the amounts in this projection.

Prepared by Keyser Marston Associates, Inc.

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**Table 7.2**  
**Projection of Tax Revenues - 2% Growth**  
**Shellmound Park Project Area**  
**Emeryville Successor Agency**

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GROWTH AT 2% PER YEAR

\$Thousands

Reported AV

Fiscal Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>I. Real Property</b>	1,511,354	1,511,354	1,376,215	1,403,739	1,431,814	1,460,450	1,489,659	1,519,453	1,549,842	1,580,839
Prop 13 Inflationary Growth <sup>(1)</sup>	0	6,862	27,524	28,075	28,636	29,209	29,793	30,389	30,997	31,617
Estimated Appeal Reduction	0	(142,000)	0	0	0	0	0	0	0	0
Total Real Property	1,511,354	1,376,215	1,403,739	1,431,814	1,460,450	1,489,659	1,519,453	1,549,842	1,580,839	1,612,455
<b>II. Personal Property</b>	206,132	206,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132
Estimated Appeal Reduction	0	(1,000)	0	0	0	0	0	0	0	0
Total Personal Property	206,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132
<b>III. Total Project Value</b>	1,717,486	1,581,347	1,608,872	1,636,946	1,665,583	1,694,792	1,724,585	1,754,974	1,785,971	1,817,588
Less Base Value	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)
Incremental Value	1,529,690	1,393,552	1,421,076	1,449,151	1,477,787	1,506,996	1,536,789	1,567,178	1,598,175	1,629,792
<b>IV. Gross RPTTF at 1% of Incr Value</b>	15,297	13,936	14,211	14,492	14,778	15,070	15,368	15,672	15,982	16,298
SBE Unitary Revenue	28	28	28	28	28	28	28	28	28	28
Less: TI in excess of cap <sup>(2)</sup>	0	0	0	0	0	0	0	0	0	0
Subtotal Gross Tax Increment	15,325	13,964	14,239	14,520	14,806	15,098	15,396	15,700	16,010	16,326
<b>V. Less: County Admin &amp; Pass Through</b>										
County Admin Expense <sup>(3)</sup>	1.0%	153	153	153	153	153	154	157	160	163
H&S 33676 Payments <sup>(4)</sup>		135	143	150	158	166	173	182	190	207
County & Flood Control Ps Through Agmt <sup>(4)</sup>		4,230	3,895	3,963	4,032	4,102	4,174	4,248	4,322	4,477
Statutory Pass Through (H&S 33607.5) <sup>(4)</sup>		443	242	282	324	366	435	506	578	727
Total Co. Admin and Pass Through		4,961	4,432	4,548	4,666	4,787	4,936	5,089	5,247	5,574
<b>VI. Shellmound Park Tax Revenues</b>		10,364	9,531	9,691	9,853	10,019	10,162	10,307	10,452	10,752

**Notes:**

- <sup>(1)</sup> Based upon 2% maximum prop 13 inflationary growth factor except in FY 2014-15 based on reported factor of 0.454%.
- <sup>(2)</sup> Estimate of TI in excess of cap. Cap is \$425 million plus "amounts described within and/or resulting from entering into reimbursement or other agreements with affected taxing agencies or private entities." See report text for additional information.
- <sup>(3)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.
- <sup>(4)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.

**Table 7.2**  
**Projection of Tax Revenues - 2% Growth**  
**Shellmound Park Project Area**  
**Emeryville Successor Agency**  
**\$Thousands**

Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
<b>I. Real Property</b>	1,612,455	1,644,704	1,677,599	1,711,150	1,745,374	1,780,281	1,815,887	1,852,204	1,889,248	1,927,033
Prop 13 Inflationary Growth <sup>(1)</sup>	32,249	32,894	33,552	34,223	34,907	35,606	36,318	37,044	37,785	38,541
Estimated Appeal Reduction	0	0	0	0	0	0	0	0	0	0
Total Real Property	1,644,704	1,677,599	1,711,150	1,745,374	1,780,281	1,815,887	1,852,204	1,889,248	1,927,033	1,965,574
<b>II. Personal Property</b>	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132
Estimated Appeal Reduction	0	0	0	0	0	0	0	0	0	0
Total Personal Property	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132
<b>III. Total Project Value</b>	1,849,837	1,882,731	1,916,283	1,950,506	1,985,413	2,021,019	2,057,337	2,094,381	2,132,166	2,170,706
Less Base Value	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)
Incremental Value	1,662,041	1,694,935	1,728,487	1,762,710	1,797,618	1,833,223	1,869,541	1,906,585	1,944,370	1,982,911
<b>IV. Gross RPTTF at 1% of Incr Value</b>	16,620	16,949	17,285	17,627	17,976	18,332	18,695	19,066	19,444	19,829
SBE Unitary Revenue	28	28	28	28	28	28	28	28	28	28
Less: TI in excess of cap <sup>(2)</sup>	0	0	0	0	0	0	0	0	0	0
Subtotal Gross Tax Increment	16,648	16,977	17,313	17,655	18,004	18,360	18,723	19,094	19,472	19,857
<b>V. Less: County Admin &amp; Pass Through</b>										
County Admin Expense <sup>(3)</sup>	1.0%	166	169	173	176	180	183	187	191	198
H&S 33676 Payments <sup>(4)</sup>		216	225	234	243	252	262	272	282	303
County & Flood Control Ps Through Agmt <sup>(4)</sup>		4,556	4,637	4,720	4,804	4,890	4,978	5,067	5,158	5,346
Statutory Pass Through (H&S 33607.5) <sup>(4)</sup>		804	882	962	1,043	1,126	1,211	1,297	1,385	1,566
Total Co. Admin and Pass Through		5,742	5,913	6,088	6,266	6,448	6,634	6,823	7,016	7,413
<b>VI. Shellmound Park Tax Revenues</b>		10,907	11,064	11,225	11,389	11,556	11,727	11,901	12,078	12,444

**Notes:**

- <sup>(1)</sup> Based upon 2% maximum prop 13 inflationary growth factor except in FY 2014-15 based on reported factor of 0.454%.
- <sup>(2)</sup> Estimate of TI in excess of cap. Cap is \$425 million plus "amounts described within and/or resulting from entering into reimbursement or other agreements with affected taxing agencies or private entities." See report text for additional information.
- <sup>(3)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.
- <sup>(4)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.

**Table 7.2  
Projection of Tax Revenues - 2% Growth  
Shellmound Park Project Area  
Emeryville Successor Agency**

Page 3 of 3

GROWTH AT 2% PER YEAR

\$Thousands		TI Limit 10/1/2039					
Fiscal Year	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	
<b>I. Real Property</b>	1,965,574	2,004,886	2,044,983	2,085,883	2,127,601	2,170,153	
Prop 13 Inflationary Growth <sup>(1)</sup>	39,311	40,098	40,900	41,718	42,552	43,403	
Estimated Appeal Reduction	0	0	0	0	0	0	
Total Real Property	2,004,886	2,044,983	2,085,883	2,127,601	2,170,153	2,213,556	
<b>II. Personal Property</b>	205,132	205,132	205,132	205,132	205,132	205,132	
Estimated Appeal Reduction	0	0	0	0	0	0	
Total Personal Property	205,132	205,132	205,132	205,132	205,132	205,132	
<b>III. Total Project Value</b>	2,210,018	2,250,116	2,291,015	2,332,733	2,375,285	2,418,688	
Less Base Value	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	
Incremental Value	2,022,222	2,062,320	2,103,220	2,144,937	2,187,489	2,230,892	
<b>IV. Gross RPTTF at 1% of Incr Value</b>	20,222	20,623	21,032	21,449	21,875	22,309	
SBE Unitary Revenue	28	28	28	28	28	28	
Less: TI in excess of cap <sup>(2)</sup>	0	0	0	0	(10,580)	(22,337)	
Subtotal Gross Tax Increment	20,250	20,651	21,060	21,477	11,323	0	
<b>V. Less: County Admin &amp; Pass Through</b>							
County Admin Expense <sup>(3)</sup>	1.0%	202	206	210	214	113	0
H&S 33676 Payments <sup>(4)</sup>		313	324	335	347	185	0
County & Flood Control Ps Through Agmt <sup>(4)</sup>		5,443	5,542	5,643	5,745	3,024	0
Statutory Pass Through (H&S 33607.5) <sup>(4)</sup>		1,660	1,755	1,852	1,951	1,061	0
Total Co. Admin and Pass Through		7,618	7,827	8,040	8,258	4,384	0
<b>VI. Shellmound Park Tax Revenues</b>		12,632	12,824	13,020	13,220	6,939	0

**Notes:**

- <sup>(1)</sup> Based upon 2% maximum prop 13 inflationary growth factor except in FY 2014-15 based on reported factor of 0.454%.
- <sup>(2)</sup> Estimate of TI in excess of cap. Cap is \$425 million plus "amounts described within and/or resulting from entering into reimbursement or other agreements with affected taxing agencies or private entities." See report text for additional information.
- <sup>(3)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.
- <sup>(4)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.

**Table 8.0**  
**Summary of Projected Tax Revenues - No Growth**  
**Emeryville Successor Agency**

**NO GROWTH**

**\$Thousands**

Fiscal Year	Emeryville Tax Revenues (Table 8.1)	Shellmound Park Tax Revenues (Table 8.2)	Total Tax Revenues
2013-14	\$17,903	\$10,364	\$28,267
2014-15	17,015	9,490	26,505
2015-16	17,015	9,490	26,505
2016-17	17,015	9,490	26,505
2017-18	17,015	9,490	26,505
2018-19	17,015	9,490	26,505
2019-20	17,015	9,490	26,505
2020-21	17,015	9,490	26,505
2021-22	17,015	9,490	26,505
2022-23	17,015	9,490	26,505
2023-24	17,015	9,490	26,505
2024-25	17,015	9,490	26,505
2025-26	17,015	9,490	26,505
2026-27	17,015	9,490	26,505
2027-28	17,015	9,490	26,505
2028-29	17,015	9,490	26,505
2029-30	17,015	9,490	26,505
2030-31	0	9,490	9,490
2031-32	0	9,490	9,490
2032-33	0	9,490	9,490
2033-34	0	9,490	9,490
2034-35	0	9,490	9,490
2035-36	0	9,490	9,490
2036-37	0	9,490	9,490
2037-38	0	9,490	9,490
2038-39	0	9,490	9,490



**Table 8.1**  
**Projection of Tax Revenues - No Growth**  
**Emeryville Project Area**  
**Emeryville Successor Agency**  
**\$Thousands**

	Reported AV 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>I. Real Property Assessed Value</b>	1,862,072	1,862,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072
Prop 13 Inflationary Growth <sup>(1)</sup>										
Estimated Appeal Reduction	<u>0</u>	<u>(94,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Property	1,862,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072
<b>II. Personal Property Assessed Value</b>	173,381	173,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381
Estimated Appeal Reduction	<u>0</u>	<u>(17,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Personal Property	173,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381	156,381
<b>III. Total Assessed Value</b>	2,035,454	1,924,454	1,924,454	1,924,454	1,924,454	1,924,454	1,924,454	1,924,454	1,924,454	1,924,454
Less Base Value	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>	<u>(110,588)</u>
Incremental Value	1,924,866	1,813,866	1,813,866	1,813,866	1,813,866	1,813,866	1,813,866	1,813,866	1,813,866	1,813,866
<b>IV. Gross RPTTF at 1% of Incr Value</b>	19,249	18,139	18,139	18,139	18,139	18,139	18,139	18,139	18,139	18,139
SBE Unitary Revenue	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>	<u>104</u>
Subtotal Gross Tax Increment	19,353	18,243	18,243	18,243	18,243	18,243	18,243	18,243	18,243	18,243
<b>V. Less: County Admin &amp; Pass Through</b>										
County Admin Expense <sup>(2)</sup>	1.0%	192	192	192	192	192	192	192	192	192
Statutory Pass Through (H&S 33607.5) <sup>(3)</sup>		1,257	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035
Total Co. Admin and Pass Throughs		1,450	1,228	1,228	1,228	1,228	1,228	1,228	1,228	1,228
<b>VI. Emeryville Tax Revenues</b>	17,903	17,015	17,015	17,015	17,015	17,015	17,015	17,015	17,015	17,015

Notes:

- <sup>(1)</sup> No growth scenario
- <sup>(2)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.
- <sup>(3)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.

**Table 8.1**  
**Projection of Tax Revenues - No Growth**  
**Emeryville Project Area**  
**Emeryville Successor Agency**  
**\$Thousands**

Page 2 of 2

NO GROWTH

	TI Receipt 7/27/2030						
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
<b>I. Real Property Assessed Value</b>	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072
Prop 13 Inflationary Growth <sup>(1)</sup>							
Estimated Appeal Reduction	0	0	0	0	0	0	0
Total Real Property	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072	1,768,072
<b>II. Personal Property Assessed Value</b>	156,381	156,381	156,381	156,381	156,381	156,381	156,381
Estimated Appeal Reduction	0	0	0	0	0	0	0
Total Personal Property	156,381	156,381	156,381	156,381	156,381	156,381	156,381
<b>III. Total Assessed Value</b>	1,924,454	1,924,454	1,924,454	1,924,454	1,924,454	1,924,454	1,924,454
Less Base Value	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)	(110,588)
Incremental Value	1,813,866	1,813,866	1,813,866	1,813,866	1,813,866	1,813,866	1,813,866
<b>IV. Gross RPTTF at 1% of Incr Value</b>	18,139	18,139	18,139	18,139	18,139	18,139	18,139
SBE Unitary Revenue	104	104	104	104	104	104	104
Subtotal Gross Tax Increment	18,243	18,243	18,243	18,243	18,243	18,243	18,243
<b>V. Less: County Admin &amp; Pass Through</b>							
County Admin Expense <sup>(2)</sup>	1.0%	192	192	192	192	192	192
Statutory Pass Through (H&S 33607.5) <sup>(3)</sup>		1,035	1,035	1,035	1,035	1,035	1,035
Total Co. Admin and Pass Throughs		1,228	1,228	1,228	1,228	1,228	1,228
<b>VI. Emeryville Tax Revenues</b>	17,015	17,015	17,015	17,015	17,015	17,015	17,015

Notes:

- <sup>(1)</sup> No growth scenario
- <sup>(2)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.
- <sup>(3)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.

**Table 8.2**  
**Projection of Tax Revenues - No Growth**  
**Shellmound Park Project Area**  
**Emeryville Successor Agency**

	Reported AV										
	Fiscal Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>I. Real Property</b>		1,511,354	1,511,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354
Prop 13 Inflationary Growth <sup>(1)</sup>		No Growth									
Estimated Appeal Reduction		0	(142,000)	0	0	0	0	0	0	0	0
Total Real Property		1,511,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354
<b>II. Personal Property</b>		206,132	206,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132
Estimated Appeal Reduction		0	(1,000)	0	0	0	0	0	0	0	0
Total Personal Property		206,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132
<b>III. Total Project Value</b>		1,717,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486
Less Base Value		(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)
Incremental Value		1,529,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690
<b>IV. Gross RPTTF at 1% of Incr Value</b>		15,297	13,867	13,867	13,867	13,867	13,867	13,867	13,867	13,867	13,867
SBE Unitary Revenue		28	28	28	28	28	28	28	28	28	28
Less: TI in excess of cap <sup>(2)</sup>		0	0	0	0	0	0	0	0	0	0
Subtotal Gross Tax Increment		15,325	13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895
<b>V. Less: County Admin &amp; Pass Through</b>											
County Admin Expense <sup>(3)</sup>	1.0%	153	153	153	153	153	153	153	153	153	153
H&S 33676 Payments <sup>(4)</sup>		135	143	143	143	143	143	143	143	143	143
County & Flood Control Ps Through Agmt <sup>(4)</sup>		4,230	3,878	3,878	3,878	3,878	3,878	3,878	3,878	3,878	3,878
Statutory Pass Through (H&S 33607.5) <sup>(4)</sup>		443	232	232	232	232	232	232	232	232	232
Total Co. Admin and Pass Through		4,961	4,405	4,405	4,405	4,405	4,405	4,405	4,405	4,405	4,405
<b>VI. Shellmound Park Tax Revenues</b>		10,364	9,490	9,490	9,490	9,490	9,490	9,490	9,490	9,490	9,490

Notes:

- <sup>(1)</sup> No growth scenario
- <sup>(2)</sup> Estimate of TI in excess of cap. Cap is \$425 million plus "amounts described within and/or resulting from entering into reimbursement or other agreements with affected taxing agencies or private entities."
- <sup>(3)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.
- <sup>(4)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.  
For no growth scenario, no inflationary increase applied in computing 33676 payments.

**Table 8.2**  
**Projection of Tax Revenues - No Growth**  
**Shellmound Park Project Area**  
**Emeryville Successor Agency**  
**\$Thousands**

	Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
<b>I. Real Property</b>		1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354
Prop 13 Inflationary Growth <sup>(1)</sup>											
Estimated Appeal Reduction		0	0	0	0	0	0	0	0	0	0
Total Real Property		1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354
<b>II. Personal Property</b>		205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132
Estimated Appeal Reduction		0	0	0	0	0	0	0	0	0	0
Total Personal Property		205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132	205,132
<b>III. Total Project Value</b>		1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486
Less Base Value		(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)	(187,796)
Incremental Value		1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690
<b>IV. Gross RPTTF at 1% of Incr Value</b>		13,867	13,867	13,867	13,867	13,867	13,867	13,867	13,867	13,867	13,867
SBE Unitary Revenue		28	28	28	28	28	28	28	28	28	28
Less: TI in excess of cap <sup>(2)</sup>		0	0	0	0	0	0	0	0	0	0
Subtotal Gross Tax Increment		13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895
<b>V. Less: County Admin &amp; Pass Through</b>											
County Admin Expense <sup>(3)</sup>	1.0%	153	153	153	153	153	153	153	153	153	153
H&S 33676 Payments <sup>(4)</sup>		143	143	143	143	143	143	143	143	143	143
County & Flood Control Ps Through Agmt <sup>(4)</sup>		3,878	3,878	3,878	3,878	3,878	3,878	3,878	3,878	3,878	3,878
Statutory Pass Through (H&S 33607.5) <sup>(4)</sup>		232	232	232	232	232	232	232	232	232	232
Total Co. Admin and Pass Through		4,405	4,405	4,405	4,405	4,405	4,405	4,405	4,405	4,405	4,405
<b>VI. Shellmound Park Tax Revenues</b>		9,490	9,490	9,490	9,490	9,490	9,490	9,490	9,490	9,490	9,490

**Notes:**

<sup>(1)</sup> No growth scenario

<sup>(2)</sup> Estimate of TI in excess of cap. Cap is \$425 million plus "amounts described within and/or resulting from entering into reimbursement or other agreements with affected taxing agencies or private entities."

<sup>(3)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.

<sup>(4)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.

For no growth scenario, no inflationary increase applied in computing 33676 payments.

Actual taxable values and RPTTF revenues may vary from the amounts in this projection.

Prepared by Keyser Marston Associates, Inc.

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**Table 8.2**  
**Projection of Tax Revenues - No Growth**  
**Shellmound Park Project Area**  
**Emeryville Successor Agency**

Page 3 of 3

NO GROWTH

		TI Limit 10/1/2039					
		\$Thousands					
	Fiscal Year	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39
<b>I. Real Property</b>		1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354
Prop 13 Inflationary Growth <sup>(1)</sup>							
Estimated Appeal Reduction		0	0	0	0	0	0
Total Real Property		1,369,354	1,369,354	1,369,354	1,369,354	1,369,354	1,369,354
<b>II. Personal Property</b>		205,132	205,132	205,132	205,132	205,132	205,132
Estimated Appeal Reduction		0	0	0	0	0	0
Total Personal Property		205,132	205,132	205,132	205,132	205,132	205,132
<b>III. Total Project Value</b>		1,574,486	1,574,486	1,574,486	1,574,486	1,574,486	1,574,486
Less Base Value		<u>(187,796)</u>	<u>(187,796)</u>	<u>(187,796)</u>	<u>(187,796)</u>	<u>(187,796)</u>	<u>(187,796)</u>
Incremental Value		1,386,690	1,386,690	1,386,690	1,386,690	1,386,690	1,386,690
<b>IV. Gross RPTTF at 1% of Incr Value</b>		13,867	13,867	13,867	13,867	13,867	13,867
SBE Unitary Revenue		28	28	28	28	28	28
Less: TI in excess of cap <sup>(2)</sup>		0	0	0	0	0	0
Subtotal Gross Tax Increment		<u>13,895</u>	<u>13,895</u>	<u>13,895</u>	<u>13,895</u>	<u>13,895</u>	<u>13,895</u>
<b>V. Less: County Admin &amp; Pass Through</b>							
County Admin Expense <sup>(3)</sup>	1.0%	153	153	153	153	153	153
H&S 33676 Payments <sup>(4)</sup>		143	143	143	143	143	143
County & Flood Control Ps Through Agmt <sup>(4)</sup>		3,878	3,878	3,878	3,878	3,878	3,878
Statutory Pass Through (H&S 33607.5) <sup>(4)</sup>		232	232	232	232	232	232
Total Co. Admin and Pass Through		<u>4,405</u>	<u>4,405</u>	<u>4,405</u>	<u>4,405</u>	<u>4,405</u>	<u>4,405</u>
<b>VI. Shellmound Park Tax Revenues</b>		<u>9,490</u>	<u>9,490</u>	<u>9,490</u>	<u>9,490</u>	<u>9,490</u>	<u>9,490</u>

Notes:

- <sup>(1)</sup> No growth scenario
- <sup>(2)</sup> Estimate of TI in excess of cap. Cap is \$425 million plus "amounts described within and/or resulting from entering into reimbursement or other agreements with affected taxing agencies or private entities."
- <sup>(3)</sup> Projected at 1% of gross RPTTF based on actual for FY 2012-13 which equates to 0.95% of gross RPTTF.
- <sup>(4)</sup> Projected amounts reflect current County Auditor-Controller practices for computation of pass throughs.  
For no growth scenario, no inflationary increase applied in computing 33676 payments.

Actual taxable values and RPTTF revenues may vary from the amounts in this projection.  
 Prepared by Keyser Marston Associates, Inc.  
 \\Sf-fs2\wp\12\12092\012\Emeryville FCR TI Proj 5-22-2014; Shell NG; 5/22/2014; dd

**APPENDIX H**

**CONTINUING DISCLOSURE COMPLIANCE HISTORY**

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**City of Emeryville  
Emeryville Public Financing Authority  
Emeryville Redevelopment Agency**

**Continuing Disclosure Compliance Audit  
July 8, 2014**



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*extending  
your  
reach*



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July 8, 2014

Ms. Eileen Gallagher  
Managing Director  
Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 35th Floor  
San Francisco, CA 94104

RE: Continuing Disclosure Compliance Audit – Five-Year Review

Dear Ms. Gallagher:

At the request of Stifel, Nicolaus & Company, Incorporated, Willdan Financial Services has completed a review of the City of Emeryville (the “City”), the Emeryville Public Financing Authority’s (the “Authority”), and the Emeryville Redevelopment Agency (“Agency”) continuing disclosure filings for the last five years.

Willdan Financial Services is of the opinion that, with few exceptions, the City, Authority, and Agency have met all applicable Continuing Disclosure requirements as set forth in Rule 15c2-12. As of the closing date of this report all supplemental filings required for full compliance have been completed and disseminated.

Certain NRMSIRs responsible for the filings prior to the creation of the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) website system have indicated that some records cannot be retrieved. In addition, records for Standard & Poor’s ratings on defeased bond issues also cannot be retrieved. Annual Reports and Listed Event filings disseminated while Willdan Financial Services was contracted as dissemination agent for the City and Authority can be viewed at [www.willdan.com](http://www.willdan.com).

This report is intended to summarize historic compliance with respect to Annual Report and Listed Event Filings and is not intended to be used, and may not be used, in any manner for any purpose other than to fulfill the requirement for the issuance of the new bonds.

Regards,

Willdan Financial Services  
Enclosure  
cc: City of Emeryville

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## INTRODUCTION

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Rule 15c2-12 requires underwriters to reasonably determine that an issuer will comply with its continuing disclosure agreement before underwriting any new bonds. If a five-year historical review of continuing disclosure compliance reveals an issuer has any material failures with its disclosure obligations, remedial filings must be made before the new bond is issued. The required filings determined by the Continuing Disclosure Agreement section of the Official Offering include annual financial information and notification of specific listed events inclusive of ratings changes.

With this purpose in mind, Willdan Financial Services has reviewed the disclosure documents filed for the City, Authority, and the Agency between June 15, 2009 and June 15, 2014.

## LIST OF BOND ISSUES UNDER AUDIT

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### Emeryville Public Financing Authority

1. Revenue Bonds, Series 1995 (Housing Increment Loan)
2. Lease Revenue Bonds, 1998 Series A (Civic Center Financing Project) (defeased 12/9/2013)
3. Revenue Bonds, 1998 Series B (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects—Tax Exempt); and Revenue Bonds, 1998 Series C (Emeryville Redevelopment and Housing Projects—Taxable)
4. 1999 Revenue Bonds (Assessment District Refinancings)
5. Revenue Bonds, 2001 Series A (Emeryville Redevelopment and Shellmound Park Redevelopment Projects—Tax Exempt); and Revenue Bonds, 2001 Series B (Housing Projects—Taxable)
6. Revenue Bonds, 2002 Series A (Emeryville Redevelopment Project)
7. Revenue Bonds, 2004 Series A (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects)

### Emeryville Redevelopment Agency

1. Multifamily Housing Refunding Revenue Bonds (Emery Bay Apartments II), Series 1998A; Subordinate Series 1998B; and Series 1998C (defeased 10/1/2010)

## SCOPE OF REVIEW

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With regard to the disclosures filed between June 15, 2009 and June 15, 2014, Willdan Financial Services was requested to determine the following:

1. Verify Annual Reports/Audited Financial Statements were filed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA");
2. Verify the Annual Reports were filed by the dates required in the Continuing Disclosure Agreements;
3. Verify the Annual Reports contained the information required by the Continuing Disclosure Agreements;
4. Verify Notices of Occurrence of Listed Events filings; and
5. Disseminate remedial filings via EMMA.

## SUMMARY OF FINDINGS

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### Revenue Bonds, Series 1995 (Housing Increment Loan)

Par Amount: \$14,300,000

Dated: September 1, 1995

Annual Continuing Disclosure Due Date: December 1

The Annual Reports and Agency's Audited Financial Statements for the aforementioned bonds have been filed by the due date for each of the past five (5) fiscal years, with the following exceptions:

- 2008/09 Annual Report and Agency's Audited Financial Statements
  - Annual Report filed on March 31, 2010
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2009/10 Annual Report and Agency's Audited Financial Statements
  - Annual Report filed on March 31, 2011
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2010/11 Annual Report and Agency's Audited Financial Statements
  - Annual Report filed on March 30, 2012
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2011/12 Annual Report and City's Audited Financial Statements
  - Annual Report filed on April 1, 2013
  - City's Audited Financial Statements filed on March 27, 2013
- 2012/13 City's Audited Financial Statements
  - Filed on January 7, 2014

The financial and operating information required by the Continuing Disclosure Agreement was presented in these reports with the following exceptions:

- 2011/12 Tax Increment Revenues and Ten Largest Taxpayers data not available by due date
  - Ten Largest Taxpayers filed on June 3, 2013
  - Tax Increment Revenues data filed on November 25, 2013

All Listed Event Notifications were filed within the prescribed time frame with the following exceptions:

- **Ratings Changes**

- On March 5, 2010, Standard & Poor's Ratings Services ("S&P") upgraded its underlying rating on the Bonds from 'BBB+' to 'A-'.
  - Filed on February 16, 2011

**Lease Revenue Bonds, 1998 Series A (Civic Center)**

Par Amount: \$7,000,000

Dated: July 2, 1998

Annual Continuing Disclosure Due Date: March 31

Defeased: December 9, 2013

The Annual Reports and City's Audited Financial Statements for the aforementioned bonds have been filed by the due date for each of the past five (5) fiscal years, with the following exception:

- 2011/12 Annual Report
  - Annual Report filed on April 1, 2013

The financial and operating information required by the Continuing Disclosure Agreement was presented in these reports.

All Listed Event Notifications were filed within the prescribed time frame with the following exceptions:

- **Ratings Changes**

- On June 24, 2009, S&P downgraded Ambac Assurance Corporation ("Ambac") from 'A' to 'BBB'.
- On July 28, 2009, S&P downgraded Ambac from 'BBB' to 'CC'.
- On July 29, 2009, Moody's Investors Service ("Moody's") downgraded Ambac from 'Ba3' to 'Ca2'.
- On March 25, 2010, S&P downgraded Ambac from 'CC' to 'R'.
- On November 30, 2010, S&P withdrew its rating of Ambac upon request.
- On April 7, 2011, Moody's withdrew its rating of Ambac for business reasons.

➔ No remedial filings for the above due to defeasance

**Revenue Bonds, 1998 Series B (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects—Tax-Exempt); and Revenue Bonds, 1998 Series C (Emeryville Redevelopment and Housing Projects—Taxable)**

Par Amounts: Series B- \$50,640,000 / Series C- \$17,905,000

Dated: August 12, 1998

Annual Continuing Disclosure Due Date: March 31

The Annual Reports and Agency's Audited Financial Statements for the aforementioned bonds have been filed by the due date for each of the past five (5) fiscal years, with the following exception:

- 2008/09 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2009/10 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2010/11 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2011/12 Annual Report
  - Annual Report filed on April 1, 2013

The financial and operating information required by the Continuing Disclosure Agreement was presented in these reports with the following exceptions:

- 2011/12 Tax Increment Revenues and Ten Largest Taxpayers data not available by due date
  - Ten Largest Taxpayers filed on June 3, 2013
  - Tax Increment Revenues data filed on March 31, 2014

All Listed Event Notifications were filed within the prescribed time frame with the following exceptions:

- **Ratings Changes**

- On December 22, 2010, S&P downgraded National Public Finance Guarantee Corporation ("NPFGC") from 'A' to 'BBB'.
- On December 19, 2011, Moody's downgraded NPFGC from 'Baa1' to 'Baa2'.
  - ➔ Remedial Notice for the above filed on June 27, 2014.



**1999 Revenue Bonds (Assessment District Refinancings)**

Par Amount: \$14,420,000

Dated: July 21, 1999

Annual Continuing Disclosure Due Date: March 31

The Annual Reports and City's Audited Financial Statements for the aforementioned bonds have been filed by the due date for each of the past five (5) fiscal years, with the following exception:

- 2011/12 Annual Report and City's Audited Financial Statements
  - Annual Report filed on January 3, 2014
  - City's Audited Financial Statements filed on January 21, 2014

The financial and operating information required by the Continuing Disclosure Agreement was presented in these reports with the following exceptions:

- 2008/09, 2011/12, and 2012/13 information given by the Authority to the California Debt and Investment Advisory Commission not filed by due date
  - 2008/09, 2011/12, and 2012/13 information filed on June 25, 2014

All Listed Event Notifications were filed within the prescribed time frame.

**Revenue Bonds, 2001 Series A (Emeryville Redevelopment and Shellmound Park Redevelopment Projects—Tax Exempt); and Revenue Bonds, 2001 Series B (Housing Projects—Taxable)**

Par Amounts: Series A- \$23,000,000 / Series B- \$3,420,000

Dated: July 19, 2001

Annual Continuing Disclosure Due Date: March 31

The Annual Reports and Agency's Audited Financial Statements for the aforementioned bonds have been filed by the due date for each of the past five (5) fiscal years, with the following exception:

- 2008/09 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2009/10 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2010/11 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2011/12 Annual Report
  - Annual Report filed on April 1, 2013

The financial and operating information required by the Continuing Disclosure Agreement was presented in these reports with the following exceptions:

- 2008/09 Appeals data not filed by due date
  - Updated information filed on March 31, 2011
- 2011/12 Appeals, Tax Increment Revenues, and Ten Largest Taxpayers data not available by due date
  - Updated information for Appeals and Ten Largest Taxpayers filed on June 3, 2013
  - Tax Increment Revenues data filed on March 31, 2014
- 2012/13 Appeals data not available by due date
  - Updated information for Appeals filed on April 24, 2014

All Listed Event Notifications were filed within the prescribed time frame with the following exceptions:

- **Ratings Changes**

- On December 22, 2010, S&P downgraded NPFGC from 'A' to 'BBB'.
- On December 19, 2011, Moody's downgraded NPFGC from 'Baa1' to 'Baa2'.
  - ➔ Remedial Notice for the above filed on June 27, 2014.

**Revenue Bonds, 2002 Series A (Emeryville Redevelopment Project)**

Par Amount: \$22,120,000

Dated: December 4, 2002

Annual Continuing Disclosure Due Date: March 31

The Annual Reports and Agency's Audited Financial Statements for the aforementioned bonds have been filed by the due date for each of the past five (5) fiscal years, with the following exception:

- 2008/09 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2009/10 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2010/11 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2011/12 Annual Report
  - Annual Report filed on April 1, 2013

The financial and operating information required by the Continuing Disclosure Agreement was presented in these reports with the following exceptions:

- 2008/09 Appeals and Ten Largest Taxpayers Appeals data not filed by due date
  - Updated information filed on March 31, 2011
- 2011/12 Appeals, Ten Largest Taxpayers Appeals, Tax Increment Revenues, and Ten Largest Taxpayers data not available by due date
  - Updated information for Appeals and Ten Largest Taxpayers Appeals, and Ten Largest Taxpayers filed on June 3, 2013
  - Tax Increment Revenues data filed on March 31, 2014
- 2012/13 Appeals and Ten Largest Taxpayers Appeals data not available by due date
  - Updated information for Appeals and Ten Largest Taxpayers Appeals filed on April 24, 2014

All Listed Event Notifications were filed within the prescribed time frame with the following exceptions:

- **Ratings Changes**

- On December 22, 2010, S&P downgraded NPFGC from 'A' to 'BBB'.
- On December 19, 2011, Moody's downgraded NPFGC from 'Baa1' to 'Baa2'.
  - ➔ Remedial Notice for the above filed on June 27, 2014.

**Revenue Bonds, 2004 Series A (Emeryville Redevelopment, Shellmound Park Redevelopment and Housing Projects)**

Par Amount: \$78,790,000

Dated: August 26, 2004

Annual Continuing Disclosure Due Date: March 31

The Annual Reports and Agency's Audited Financial Statements for the aforementioned bonds have been filed by the due date for each of the past five (5) fiscal years, with the following exception:

- 2008/09 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2009/10 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2010/11 Agency's Audited Financial Statements
  - Agency's Audited Financial Statements filed on June 27, 2014
- 2011/12 Annual Report
  - Annual Report filed on April 1, 2013

The financial and operating information required by the Continuing Disclosure Agreement was presented in these reports with the following exceptions:

- 2011/12 Tax Increment Revenues and Ten Largest Taxpayers data not available by due date
  - Ten Largest Taxpayers filed on June 3, 2013
  - Tax Increment Revenues data filed on March 31, 2014

All Listed Event Notifications were filed within the prescribed time frame with the following exceptions:

- **Ratings Changes**

- On June 24, 2009, S&P downgraded Ambac Assurance Corporation ("Ambac") from 'A' to 'BBB'.
- On July 28, 2009, S&P downgraded Ambac from 'BBB' to 'CC'.
- On July 29, 2009, Moody's downgraded Ambac from 'Ba3' to 'Ca2'.
- On March 25, 2010, S&P downgraded Ambac from 'CC' to 'R'.
- On November 30, 2010, S&P withdrew its rating of Ambac upon request.
- On April 7, 2011, Moody's withdrew its rating of Ambac for business reasons.
  - ➔ Remedial Notice for the above filed on June 27, 2014.

**Multifamily Housing Refunding Revenue Bonds (Emery Bay Apartments II), Series 1998A;  
Subordinate Series 1998B; and Series 1998C**

Par Amounts: Series A- \$15,125,000 / Series B- \$3,555,000 / Series C- \$2,095,000

Dated: October 7, 1998

Annual Continuing Disclosure Due Date: March 31

Defeased: October 1, 2010

The Annual Report and Agency's Audited Financial Statements for the aforementioned bonds were not filed for the following fiscal year, which was the only applicable fiscal year during the audit period:

- 2008/09 Annual Report and Agency's Audited Financial Statements
  - ➔ No remedial filings for the above due to defeasance

All Listed Event Notifications were filed within the prescribed time frame.

**APPENDIX I**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the



United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer



