



December 5, 2017

Mr. Adam Benson, Agency Administrative Manager
City of Oakland
150 Frank H. Ogawa Plaza, Suite 5217
Oakland, CA 94612

Dear Mr. Benson:

Subject: Objection of Oversight Board Action

The City of Oakland Successor Agency (Agency) notified the California Department of Finance (Finance) of its October 23, 2017 Oversight Board (OB) Resolution on October 25, 2017. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution No. 2017-4, approving the assignment to the City of Oakland (City) of approximately \$47.5 million in loans made to Fox Oakland Theater, Inc. for renovation of the Fox Theater, contingent on the City agreeing to pay 30 percent of the loan repayments to the Agency, is not approved.

It is our understanding the Assignment and Compensation Agreement (Agreement) will assign the Fox Theater loans to the City concurrently with the property transfer, contingent on the City agreeing to pay the Agency 30 percent of the loan repayments received by the City for the terms of the loans.

HSC section 34181 (e) allows the Agency to terminate or renegotiate agreements if the termination or amendment reduces liabilities and increases net revenues to the taxing entities and is in the best interests of the taxing entities. However, the proposed Agreement is not an amendment; rather, the Agreement is a new obligation of the Agency. Pursuant to HSC section 34177.3, the Agency has no authority to enter the Agreement.

Therefore, as authorized by HSC section 34179 (h), Finance is returning your OB action to the board for reconsideration.

Please direct inquiries to Nichelle Jackson, Supervisor, or Jeremy Bunting, Lead Analyst, at (916) 322-2985.

Sincerely,

ERIKA LI
Program Budget Manager

cc: Mr. Patrick Lane, Development Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County