

**Rating Update: Moody's upgrades Successor Agency to City of Oakland's
Redevelopment Agency (CA) Tax Allocation Bonds to Baa1**

Global Credit Research - 30 Jul 2015

\$328.0M in rated-debt affected

SUCCESSOR AGENCY TO THE OAKLAND REDEVELOPMENT AGENCY, CA
Tax Increment/Tax Allocation
CA

NEW YORK, July 30, 2015 --Moody's Investors Service has upgraded to Baa1 from Ba1 the Successor Agency to the City of Oakland's Redevelopment Agency (RDA) Tax Allocation Bonds.

On June 24, 2015, in connection with the release of our Tax Increment Debt methodology, we placed the ratings for nearly all California tax allocation bonds (TABs) on review for upgrade, including this successor agency's (SA) TABs. This rating action completes our review for this SA.

SUMMARY RATING RATIONALE

The upgrade to Baa1 takes into account the successor agency's large, growing tax base, moderate debt service coverage levels, somewhat elevated taxpayer concentration and average socioeconomic profile of area residents. The city's individual project areas, and the project areas on a combined basis, have a relatively weak incremental AV to total AV ratio reflected in the rating. The rating also reflects the SA's successful adaptation to post dissolution processes and administrative procedures and our expectation that this trend will continue. The rating also incorporates our generally positive assessment of the implementation of redevelopment agency dissolution legislation by most successor agencies over the last three years, leading to timely payment of debt service on California TABs.

In 2012, state legislation dissolved all California redevelopment agencies, replacing them with "successor agencies" to serve as fiduciary agents. The dissolution effectively changed the flow of funds and processes around the payment of debt service on TABs. Tax increment revenue is placed in trust with the county auditor, who makes semi-annual distributions of funds sufficient to pay debt service on tax allocation bonds and other "enforceable obligations."

As our administrative concerns related to the payment of debt service have lessened, we are now placing greater weight on some of the positive features of the dissolution legislation including the closed lien status of the bonds, potential availability of surplus housing revenues and revenues from other project areas that flow into the Redevelopment Property Tax Trust Fund (RPPTF).

OUTLOOK

Outlooks are generally not applicable for local government credits of this size.

WHAT COULD MAKE THE RATING GO UP

- Sizable increase in incremental AV of the project area, leading to greater debt service coverage
- Increase in each project areas' (and on a combined basis) ratio of incremental AV to total AV

WHAT COULD MAKE THE RATING GO DOWN

- Protracted decline in AV
- Erosion of debt service coverage levels
- Additional state administrative or legislative changes that create uncertainty relating to the timely payment of debt service

STRENGTHS

- Large, growing AV
- Moderate debt service coverage
- Average wealth levels
- Mixed cash-surety funded debt service reserve at lesser of standard three-tiered test

CHALLENGES

- Somewhat elevated taxpayer concentration
- Relatively weak incremental AV to total AV

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE: STRONG REBOUND IN AVS IN LAST 3 YEARS; RELATIVELY WEAK INCREMENTAL TO TOTAL AV; AVERAGE SOCIOECONOMIC INDICATORS

The Moody's-rated Oakland TABs are legally supported by several different project areas that will likely continue to increase in value in the near-term, fueled by the city's diverse economy that is undergoing strong economic growth. Each of the project area's relatively weak ratio of incremental AV to total AV, however, continues to be a credit weakness for the city's TABs, because it amplifies pledged revenue volatility.

The strong economic growth is fueled by increased building permits, increase in taxable sales, and rising residential home values. Planned commercial and housing developments continue to fuel economic activity and help to create the city as a Bay Area destination for commercial and residential activity. There are as many as 11,000 new housing units in the development pipeline (under construction, have received, or applied for entitlements) throughout the city, with additional retail space planned with the developments. The city remains a transportation hub for the Bay Area economy and the city's port remains the 5th largest container port in the nation. Supporting the city's economy are high-income sectors, such as technology, research, and digital arts.

The Broadway/MacArthur/San Pablo Project Area is divided into two separate parcels of land. The area has a fiscal 2015 \$531.2 million incremental AV that should be fueled by the city's. The project area has a slightly elevated ten largest taxpayers as a percentage of incremental AV of 35.3% in fiscal 2015. Three of the largest taxpayers are hospitals, which should provide some taxpaying stability, the area is also supported by an auto mall and multi-family residential units. The area's incremental AV to total AV is average at 59.4% in fiscal 2015.

The Central City East Project Area was formed in July 2003 and contains neighborhoods throughout East Oakland. The project area is approximately six square miles and is primarily residential in nature. The fiscal 2015 \$1.2 billion incremental AV should continue to be supported by rising median home prices citywide. The area has a relatively low ten largest taxpayers as a percentage of incremental AV of 17.3% in fiscal 2015. The largest taxpayers are commercial centers that support residential housing. The area's incremental AV to total AV is weak at 38.6% in fiscal 2015.

The Coliseum Project Area is the city's largest project area by size, covering 11 square miles. The area contains the city's international airport, sporting event centers of the Coliseum and the Arena, and several BART stations which serve as a regional transportation hub. The fiscal 2015 \$2.5 billion incremental AV should continue to increase given the important commercial activities located within the project area boundaries. The area has a relatively low ten largest taxpayers as a percentage of incremental AV of 22.3% in fiscal 2015. The largest taxpayers are distribution, commercial, and industrial facilities. The area's incremental AV to total AV is average at 59.7% in fiscal 2015.

The city has other project areas that support other TABs not rated by Moody's. The Central District has a fiscal 2015 incremental AV of \$4.3 billion, which is supported by three geographical components in the city's central area. The Central District is the major and economic and transportation hub of the city with 30 office buildings. The ten largest taxpayers are an average 32.4% of fiscal 2015 incremental AV. The area has a very strong fiscal 2015 incremental AV to total AV ratio of 94.3%.

The Oak Knoll Project Area largely consists of a former military base known as the Naval Medical Hospital and includes 183 acres, of which 5.45 acres are owned by the city. The area has a fiscal 2015 incremental AV of \$82.5 million. The area is supported by only three taxpayers, signifying very high taxpayer concentration. 87% of the tax-supporting property is vacant commercial and residential land. The area has no incremental AV to total AV.

The Oakland Army Base Project Area is 1,375 acres and includes the former Oakland Army Base. The area includes the Port of Oakland and existing marine terminal facilities. The area has a highly concentrated group of taxpayers at 124.2% of 2015 incremental AV. The incremental AV to total AV is a healthy 65.4% of AV.

The West Oakland Project Area is made up of three sub-areas: Prescott/South Prescott, Clawson/McClymonds/Bunche, and West MacArthur/Hoover. The area was adopted to facilitate residential, commercial, and industrial development of blighted, underutilized, and contaminated sites. The area has a fiscal 2015 incremental AV of \$578.7 million. The area has an average percentage of ten largest taxable property owners at 30.8% of fiscal 2015 incremental AV. The area has a relatively weak 39.2% incremental AV to total AV.

STANDARD SOCIO METRICS; DECLINING UNEMPLOYMENT

Resident wealth levels for the city are slightly lower than national averages with median family income at 92.1% of the US. The city's unemployment rate continues to trend downward to 5.5% as of April 2015, and remains lower than the state (6.3%) and nation (5.5%) for the same period.

Liquidity

Liquidity is not a major factor in our assessment of tax allocation bond credit quality. Due to the RDA dissolution legislation, successor agencies generally are not able to retain cash.

DEBT SERVICE COVERAGE AND REVENUE METRICS: HEALTHY ANNUAL COVERAGE

Each of the individual project areas have healthy annual coverage and annual coverage remains healthy on a combined basis after administrative fees and housing set aside for debt service, though coverage is average relative to other California RDA coverage ratios. Assuming a 2% incremental AV growth for all project areas through fiscal 2020, coverage should continue to increase incrementally from current levels.

The Broadway project area had a healthy 3.13 times annual coverage from available tax revenues in fiscal 2015. Coverage should increase to nearly 4.5 times coverage by fiscal 2020, assuming steady incremental AV growth of 2%.

The Central City East project area has healthy 2.46 times coverage in fiscal 2015 from available tax revenues. Coverage should increase to 4.02 times in fiscal 2020 after continued incremental AV growth.

The Coliseum project area had a stronger 3.7 times coverage in fiscal 2015 from available tax revenues. Coverage for this area should increase to 5.95 times by fiscal 2020, the strongest coverage of the city's project areas after continued incremental AV growth.

On a combined basis, coverage was 2.53 times from available revenues in fiscal 2015 when including all the city's TABs, including the city's subordinate Housing Bonds. Total combined coverage on an annual basis should increase to 3.84 times in fiscal 2020 assuming continued incremental AV growth, including the net funds from other areas.

At these healthy coverage levels, the tax base would need to decline by more than 60% for coverage to decline to sum-sufficient, which we view as an unlikely scenario.

DEBT AND LEGAL COVENANTS

The district has \$430.2 million in TABs outstanding, of which Moody's rates \$328.0 million.

Legal covenants related to the issuance of additional bonds are no longer applicable given SA's are generally not permitted to issue new money debt since the dissolution 2012. This is a credit strength as debt coverage cannot be diluted by additional issuance. Management reports that they are considering issuing refunding bonds which would lower debt service, and, if the savings are taken on an level annual basis, would positively impact debt service coverage levels in each remaining year.

Each of the bonds are supported by either a cash or surety-funded debt service reserve at the lesser of the

standard three-tiered test.

Debt Structure

All of the SA's debt is fixed rate with debt service level throughout the life of the bonds. The SA has debt outstanding (not rated) secured by a subordinate lien on the tax increment revenue.

Debt-Related Derivatives

The successor agency is not party to any derivative transactions.

Pensions and OPEB

Pensions and OPEB liabilities are not a factor in our assessment of tax allocation bond credit quality

MANAGEMENT AND GOVERNANCE

Management has demonstrated a clear understanding of the post RDA dissolution administrative process for payment of enforceable obligations including the TABs. Favorably, they have submitted their semi-annual ROPs on time in all semiannual periods since the dissolution in 2012 and have policies in place to ensure the timely payment of debt service continues.

Management requests the majority of the year's annual debt service payments in the first January to June payment period. In the January to June 2015 payment period, the city requested \$48.8 million for debt service payments from an available revenues of \$53.4 million after all pass-through distributions. Management requests an additional approximately \$14.6 million in the July to December payment period for debt service on the city's subordinate housing bonds.

SAs and the payment of their respective TABs are now largely governed by legislation enacted in 2011 and 2012. SAs' role are to wind down the former RDA's outstanding obligations, including TABs.

The Baa score for the California TABs' legal structure and governing framework factor reflects the unique features of the post RDA dissolution legislation, including the semiannual allocation and distribution structure of revenues, closed lien status, lack of ability to retain excess cash flows and numerous administrative and procedural requirements. The score also takes into account the state's highly restrictive governance framework for SAs. Successor agencies have almost no operating flexibility. Revenues consist mostly of a passive revenue stream (tax increment revenues), and expenditures are composed of TAB debt service and other state approved "enforceable obligations". Although the risks posed by California's post-dissolution redevelopment legal structure have greatly diminished from a few years ago. However, the factor score continues to reflect the legislative change to the flow of tax increment revenues, which created additional administrative and managerial risks otherwise not present in TABs prior to 2012.

KEY STATISTICS (Combined Project Areas)

- Median family income as a % of US: 92.1%
- Incremental AV: \$10.4 billion
- Top ten taxpayers as a % of incremental AV: 17.8%
- Ratio of incremental AV to total AV: 65.1%
- MADS Coverage: 2.53x
- 3 year CAGR of tax increment revenues: 2.9%
- California Legal Structure Score: Baa

OBLIGOR PROFILE

The SA is a separate legal entity from the City of Oakland. The SA is responsible for winding down the operations of the former RDA, making payments on state approved "Enforceable Obligations" and liquidating any unencumbered assets to be distributed to other local taxing entities.

The City of Oakland is located in the County of Alameda on the eastern shore of the San Francisco Bay, approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. Occupying approximately 53.8 square miles, the city is the largest and most established of the "East Bay" cities.

LEGAL SECURITY

The legal security for the project area(s) is tax increment revenue net of housing set asides and senior pass-throughs.

While not legally pledged, the dissolution laws permit the TABs to be paid from all available monies in the Redevelopment Property Tax Trust Fund, after payment of senior pass through payments and certain administrative charges. This includes excess housing set aside tax increment revenues.

USE OF PROCEEDS

N/A

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Tax Increment Debt published in June 2015. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The following information supplements Disclosure 10 ("Information Relating to Conflicts of Interest as required by Paragraph (a)(1)(ii)(J) of SEC Rule 17g-7") in the regulatory disclosures made at the ratings tab on the issuer/entity page on www.moodys.com for each credit rating:

Moody's was not paid for services other than determining a credit rating in the most recently ended fiscal year by the person that paid Moody's to determine this credit rating.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Christian Ward
Lead Analyst
Public Finance Group
Moody's Investors Service

William Oh
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA



© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors

and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.