

City of Santa Barbara California



Redevelopment Agency

A Component Unit of the City of Santa Barbara

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2008

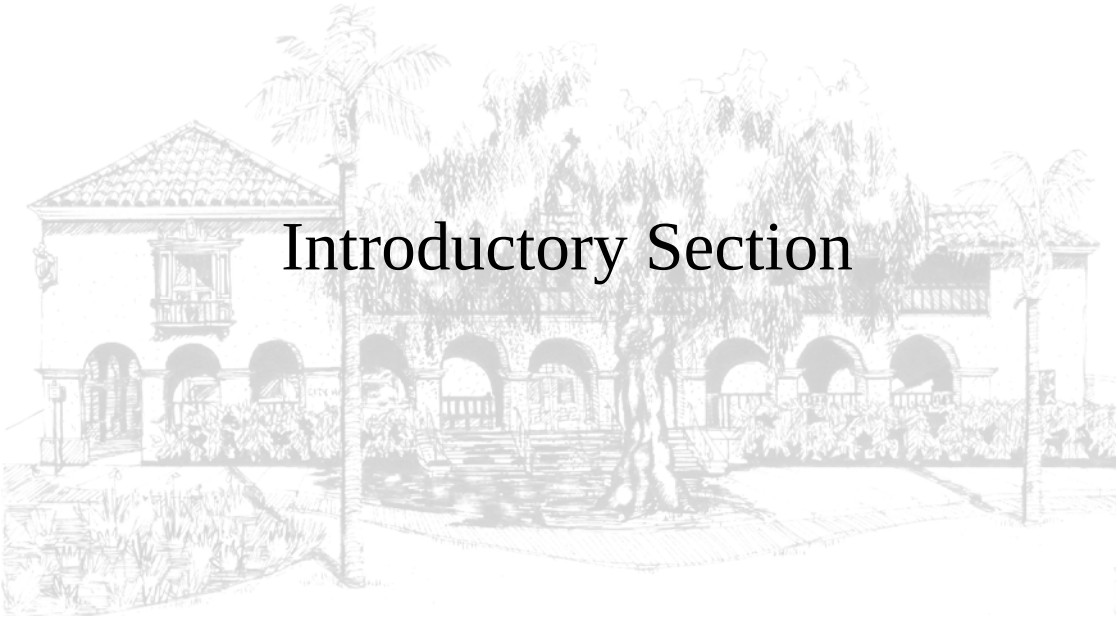
**Redevelopment Agency
of the City of
Santa Barbara, California**

A Component Unit of the City of Santa Barbara

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2008

ROBERT D. PEIRSON, AGENCY TREASURER



REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2008

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Fiscal year ended June 30, 2008

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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

December 16, 2008

The Honorable Chairperson and the Members of the Redevelopment Agency Board:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the Redevelopment Agency of the City of Santa Barbara (Agency) for the fiscal year ended June 30, 2008. The report was prepared by the Finance Department of the City of Santa Barbara on behalf of the Agency and responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures, rests with the Agency. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Agency.

This report consists of management's representations concerning the finances of the Agency. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The CAFR has been prepared using the financial reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34. GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found beginning on page 3.

ECONOMIC CONDITION AND OUTLOOK

Local property taxes, the primary revenue source of the Redevelopment Agency, continue to increase but at a much smaller rate than in recent years. The residential real estate market in Santa Barbara has been very sluggish this past year. The national real estate market has been very depressed the past two years with falling home prices and extremely slow turnover of properties. However, with tax increment revenues mostly affected by the commercial real estate market, it is very difficult to predict how large an impact this trend will have on Agency revenues.

As the Central City Redevelopment Project Area (the only project area of the Agency) moves into its final six years of operation, numerous operational challenges await it. The Agency is analyzing options and strategies to reduce the impact that the end of the project area will have on the City and the business community. In fiscal year 2008, the Redevelopment Agency made significant headway on implementing the Agency's Capital Program which consists of over 30 capital projects. The capital improvement program will be used as a guide for the Agency in its efforts to maximize financial and physical impacts over the next seven years and to create programs to succeed the Redevelopment Agency.

MAJOR INITIATIVES

EAST CABRILLO BOULEVARD SIDEWALK REPLACEMENT (2001A BOND)

This Agency project replaces existing sidewalks from Stearns Wharf to Milpas Street. Cabrillo Boulevard, considered one of the City's more scenic routes, is the primary thoroughfare along the City's beachfront east of State

Street and is flanked by tourism-related businesses, hotels and recreational public parks. On weekends, the sidewalk is heavily used by visitors to the Sunday Arts and Crafts show. A Historic Resources Report was prepared at the request of the City's Historic Landmarks Commission, as there is a Preservation Covenant stemming from the transfer of ownership in 1996 from the California Department of Transportation, stating that the City cannot alter the historic fabric of this district without approval from the State Office of Historic Preservation. The research consultants, Post/Hazeltine, provided a Conceptual Design Guidance Report, which outlined the area's history and the significance of being designated a State Historic District. Cabrillo Boulevard was the main component in the 1924 Olmsted/Cheney Plan that provided guidance for development of this beachfront recreational area. Improvements for this promenade consist of approximately 5,000 linear feet of new sidewalk, access ramps, curbs and gutters, driveways, landscaping improvements, concrete benches, trash receptacles, and decorative ironwork on the light poles at East Cabrillo Boulevard. In July 2005, following a Request for Proposals process, the engineering firm of Penfield and Smith was awarded the preliminary design contract for \$73,282. The Project received Final Approval on September 19, 2007 from the Historic Landmarks Commission. At the March 25, 2008 Council and Agency Board meeting, Lash Construction was awarded the construction contract with the low bid amount of \$1,071,523. Penfield & Smith was awarded a construction support services contract in the amount of \$15,500. Pacific Materials, Inc. was issued a purchase order in the amount of \$6,000 for material testing services. The project began in April and was completed by the end of August. The Agency allocated \$3 million for the project and anticipates the remaining funds will be reallocated to other Agency projects.

WEST BEACH PEDESTRIAN IMPROVEMENTS (2003A BOND)

The goal of the West Beach Pedestrian Improvement Project is to enhance the pedestrian linkage between Stearns Wharf and the Harbor. In March 2006, the Agency approved the conceptual design of Phase I of the project. Phase I and II were combined and consist of a number of capital improvements from Stearns Wharf to Los Baños and Marina 4. These improvements include: construction of enhanced pedestrian crossings and sidewalk extensions along Cabrillo Boulevard at Castillo Street, Bath Street, Ambassador Park and Chapala Street; at these same intersections, design and construction of pedestrian plazas along the beach-side of Cabrillo Boulevard with enhanced paving, new landscaping and an art and storytelling component that conveys the special character of the Waterfront area; replacement of the existing sidewalk on the south-side of Cabrillo Boulevard from the wharf to Castillo Street; an expanded walkway and new lighting between Los Baños and the wading pool; and improved signage to assist way-finding and safety. The current design has been endorsed by the Waterfront Department, the core stakeholder groups, and, on June 21, 2007, the Harbor Commission. The project was reviewed by the Historic Landmarks Committee on July 11, 2007 and received favorable comments on the conceptual design. The original funding amount was \$2 million. Due to the project's modification of scope and subsequent redesign, the Agency Board entered into a new agreement with Conceptual Motion for preliminary and final design services for the integrated, single-phase project. Additional funding has been allocated, bringing the total to \$3,250,000.

WATERFRONT PROPERTY – 125 CACIQUE STREET (2003A BOND)

In 2001, the Redevelopment Agency purchased property at 125 Cacique Street in the waterfront area comprised of 4 parcels totaling 2.404 acres. The Agency has evaluated the site for its best use. URS Corporation provided an update of the biological resources. MacFarlane Archaeology Associates have provided a Phase 1 archaeological resource survey. The firm, Poirier and David Architects, prepared a Land Use Feasibility Analysis including identifying all the constraints that effect the development of this property. From that report, the City was able to establish criteria for development of the site. A Request for Proposals was released on June 18, 2008. Proposals were due on August 21, 2008.

CHAPALA STREET INTERSECTIONS (CAPITAL FUND AND 2001A BOND)

On December 14, 2004, the City Council adopted the Chapala Street Streetscape Design Guidelines (Guidelines), which apply to new construction projects on Chapala Street between Carrillo Street and the 101 Freeway. These Guidelines assist developers, merchants, City staff and various design boards in improving street frontages along this section of Chapala Street. Two major development projects under construction on Chapala Street received approvals prior to the adoption of the Guidelines. Acknowledging the benefit of the Guidelines, these development projects voluntarily agreed to comply with the Guidelines. The development projects include the Chapala One project (401 Chapala), and the Paseo Chapala project (721 Chapala). These developments were required to improve portions of the Chapala intersections at De La Guerra and Gutierrez Streets, not the entire intersections.

In order to significantly enhance the safety, functionality and aesthetics of the intersections at both De La Guerra and Gutierrez Streets the Agency funded the Chapala Street Improvement Project. The project consisted of sidewalk

improvements, including bulbouts, at these two intersections. In addition to the ADA accessible ramps, the bulbouts enhance pedestrian mobility and safety by reducing crosswalk distances at the intersections. The crosswalks, leading from the bulbouts, were constructed of attractive brick pavers in a herringbone pattern. In addition, landscape improvements, including trees, ground cover and minor shrubs, were included consistent with the Guidelines. Construction was coordinated with the State Street Sidewalk Improvement Project in order to reduce congestion downtown. The project was completed in early FY 2008.

PLAZA VERA CRUZ (2003A BOND)

Plaza Vera Cruz became the City's first playground in 1908. In 2000, the Agency Board appropriated \$78,000 to complete basic upgrades to the park. The project scope was expanded January 2005 to include infrastructure improvements, and was funded at a level of \$340,000. Features of the new design include ADA-compliant pathways and enhancements to park lighting, landscaping, seating and other amenities. Construction for this project began in April 2008 and was completed in August 2008.

MISSION CREEK FLOOD CONTROL ENHANCEMENT (2003A BOND)

The Redevelopment Agency appropriated \$2,500,000 at the time of the issuance of the 2003A bond for this enhancement project. These funds augment the Army Corps of Engineers-funded flood control project for Mission Creek which will widen and rehabilitate the creek between Canon Perdido Street and Cabrillo Boulevard. Agency funds are designated to be used for enhancement to benefit the Project Area. Enhancements could include acquisition of property for creek side open space and pocket parks, landscaping, aesthetic treatments of historic bridges and pedestrian paths. Two properties at Bath and Ortega Streets adjacent to the creek were identified for acquisition and have been purchased by the Redevelopment Agency for a total of \$1,120,000. Following completion of the Mission Creek Flood Control Project, the properties will be developed as a pocket park for the West Downtown neighborhood and also serve as creek open space.

THOMPSON AVENUE IMPROVEMENTS (2001A BOND)

Funds were appropriated for improvements to the highly visible plaza area adjacent to the Lyons Moving and Storage Building in downtown. Improvements included sidewalk repair and replacement, landscaping, trash enclosure expansion, paseo improvements and general street improvements. The street and sidewalk are constructed of a colored concrete that provides a pedestrian-friendly environment that has the entire layout on one level acting more a pedestrian thoroughfare as opposed to a City street. The project was recently completed and has been an enormous improvement to the area.

AGENCY'S AFFORDABLE HOUSING PROGRAM

4200 CALLE REAL (ST. VINCENT'S GARDENS & VILLA CARIDAD)

Mercy Housing California, a State-wide nonprofit housing developer, recently completed two low income rental housing projects on the site of the former St. Vincent's School, a 19-acre site recently annexed by the City near Highway 154 and Calle Real. One is a 75-unit project for families (St Vincent's Gardens), and the other is a 95-unit project for seniors (Villa Caridad). The Agency spent a total of \$17.4 million on the two projects, and the County of Santa Barbara contributed \$4.4 million to the family project. Other funding includes HUD Section 202 funds for the senior project, federal low income housing tax credits for the family project, and funds contributed by the Daughters of Charity.

The two projects represent the largest affordable housing site ever developed in Santa Barbara County and demonstrate how affordable housing can be produced on a regional inter-governmental basis. Both projects are now occupied. Off-site public improvements (new bus shelter, traffic signal, and road and sidewalk improvements) are still under construction.

21 EAST ANAPAMU STREET (CASAS LAS GRANADAS)

Construction has been completed, and this 12-unit project for downtown workers is now occupied. The Agency selected Peoples' Self-Help Housing Corporation (Peoples) through a Request for Proposals process to develop this affordable housing project on Agency-owned land directly adjacent to the new Granada Garage parking structure. Peoples is a large nonprofit housing organization based in San Luis Obispo (with its Santa Barbara office located on the ground floor of the nearby Victoria Hotel – a single-room-occupancy hotel Peoples preserved for the homeless).

For Casas las Granadas, the Agency leased the site to Peoples at a nominal rate and provided a \$60,000 predevelopment grant. Agency staff secured City HOME funds for the project in the form of a \$90,000 predevelopment loan and \$1,581,000 permanent loan. The Agency also paid for extensive contaminated soil removal on site and is currently working on numerous physical improvements to adjacent public open space and walkways, which are expected to be completed before the end of the calendar year.

512-518 BATH STREET (BRADLEY PROPERTY)

In June, 2008, the Agency provided the City's Housing Authority with a loan of \$4,800,000 for the acquisition of property at 512-518 Bath Street. The Housing Authority is land-banking the site for future affordable housing development. The Housing Authority will operate an existing 10-unit residential structure as affordable rental housing until plans for a new project are complete. The Housing Authority is considering a large supportive housing project for the homeless and downtown workers (approximately 60 units). Since the rear of the property abuts Mission Creek, the project would include a creek restoration component. Construction is expected to start in 2010.

617 GARDEN STREET (BUILDING HOPE)

The Mental Health Association in Santa Barbara County (MHA) is in the midst of construction of a large, mixed-use project directly across the street from the Agency's Garden Street offices. The project will provide 50 units of affordable rental housing for a combination of low income MHA clients and downtown workers and one on-site manager's unit. The project also features administrative office space and program space for MHA and office space for government or non-profit use. The Agency contributed land (the former parking lot for its employees) to the project and has disbursed the \$5.1 million it committed to the project, in addition to the \$385,000 in state HELP funds the Agency spent for predevelopment. The residential portion of the project is expected to be completed by the end of calendar year 2008.

OTHER INFORMATION

Component Unit Reporting

Under reporting requirements prescribed by generally accepted accounting principles adopted by the Governmental Accounting Standards Board, the Agency's results of operations are also reported in the City of Santa Barbara's CAFR. This treatment is due to the requirement that municipal organizations include in one report all operations controlled by the same governing body. Specific interpretation for redevelopment agencies requires their inclusion in the City's CAFR. No express or implied assumption of any of the Agency's liabilities by the City, either at present or in the future, is made by the inclusion of the Agency's financial results in the City's CAFR. The Agency remains separate for all legal purposes. Accordingly, the accompanying basic financial statements are issued as a separate component unit report of the Agency.

Internal Controls

The Agency's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the Agency's assets are protected from loss, theft or misuse. The internal controls must also ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The Agency's system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the Agency's system of internal accounting controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The Agency's internal controls are subject to periodic evaluation by the Agency's management.

Independent Audit

The City requires an annual audit of the financial statements of the Agency by an independent certified public accountant. The Agency is in compliance with this requirement and the independent auditor's report has been included in this report on page 1 at the beginning of the financial section.

Acknowledgments

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the City's Finance Department. Special recognition and thanks are due to the entire staff for their efficient and dedicated efforts.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'J. L. Armstrong', written over a horizontal line.

James L. Armstrong
Executive Director and Secretary

A handwritten signature in blue ink, appearing to read 'R. D. Peirson', written over a horizontal line.

Robert D. Peirson
Agency Treasurer

**REDEVELOPMENT AGENCY
OF THE
CITY OF SANTA BARBARA**

Directory of Agency Officials

June 30, 2008

Marty Blum
Chairperson

Grant R. House
Member

Helene Schneider
Member

Roger L. Horton
Member

Das Williams
Member

Iya G. Falcone
Member

Dale Francisco
Member

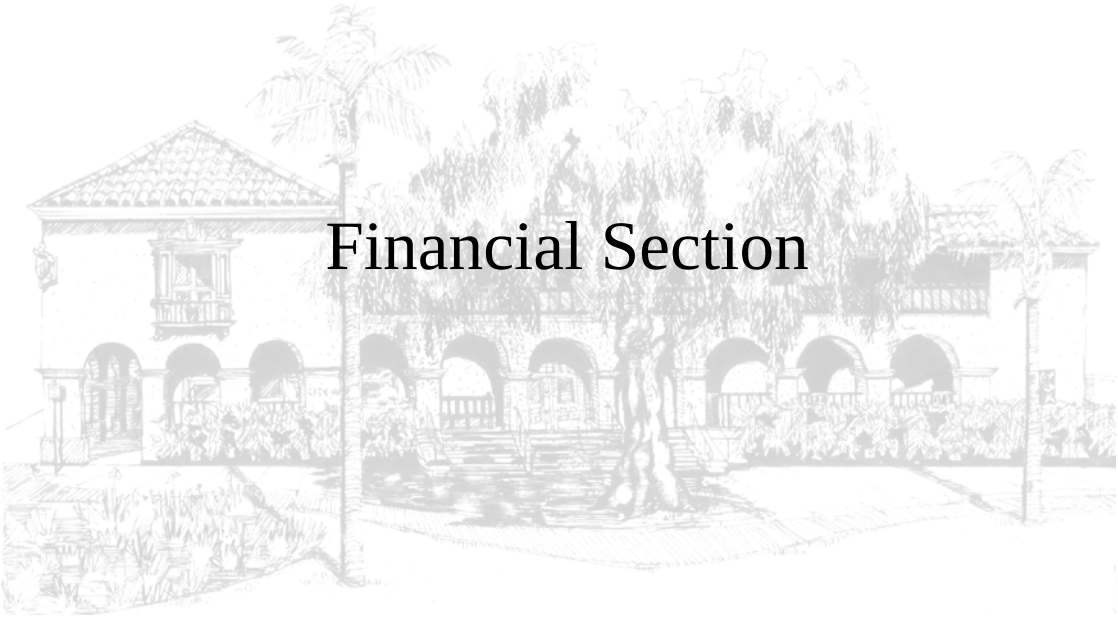
James L. Armstrong
Executive Director and Secretary

Paul A. Casey
Deputy Director

Stephen P. Wiley
Agency Counsel

Robert D. Peirson
Agency Treasurer

David K. Gustafson
Housing & Redevelopment Manager



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Redevelopment Agency of the City of Santa Barbara
Santa Barbara, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Santa Barbara (Agency), a component unit of the City of Santa Barbara, California (City), as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Subsequent to the basic financial statement date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the Agency has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors
of the Redevelopment Agency of the City of Santa Barbara
Santa Barbara, California
Page 2

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Introductory and Statistical Sections, and Annual Program Report/Work Program sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Irvine, California
November 24, 2008

Redevelopment Agency of the City of Santa Barbara

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

This section of the Comprehensive Annual Financial Report of the Redevelopment Agency of the City of Santa Barbara presents an overview of the Agency's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages iii-vii of this report.

FINANCIAL HIGHLIGHTS

- Total assets of the Agency were \$183.6 million at June 30, 2008, an increase of approximately \$6.1 million from the prior year.
- Net assets (assets over liabilities) of the Agency at June 30, 2008 totaled \$111 million, an increase of \$11.6 million from the prior year. Of the total, \$14.8 million is unrestricted and, thus, available to meet the Agency's ongoing obligations to citizens and creditors.
- Revenues of the Agency for the year ended June 30, 2008 totaled \$22 million and expenses totaled \$10.4 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Redevelopment Agency of the City of Santa Barbara's basic financial statements. The Redevelopment Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to present financial information about the Agency as a whole, in a manner similar to the private sector, including the use of accrual-based accounting to recognize revenues and expenses. Government activities typically include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. However, the activities of redevelopment agencies, which are governed by State Law, primarily include capital improvements designed to eliminate blight in the community, financed from the sale of bonds. The debt service costs associated with the bonds are funded from the incremental property taxes ("tax increment") generated from the improvements made.

The Statement of Net Assets presents all Agency assets, including capital assets, and all related liabilities, including long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets", which serves as a measure of the financial health of the Agency. Over time, an increase in net assets generally indicates that the financial health of the Agency is improving. The Statement of Activities provides the details of how the Agency's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses"; increases in net assets are presented as "Program Revenues" or "General Revenues".

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental in nature.

Redevelopment Agency of the City of Santa Barbara

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains four individual governmental 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, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

The Agency adopts an annual appropriated budget for its General and Special Revenue Funds. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

Notes to 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. The notes to the financial statements can be found on pages 18 through 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Agency has presented its financial statements under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The following includes a comparative analysis between current year and prior year results of operations and year-end balances.

Redevelopment Agency of the City of Santa Barbara

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Statement of Net Assets

Table 1 below provides a summary of the Statement of Net Assets as of June 30, 2008 and 2007, which can also be found on page 12 of this report.

Table 1 Redevelopment Agency of the City of Santa Barbara Summary of Net Assets As of June 30, 2008 and 2007		
	2008	2007
Current and other assets	\$ 98,656,978	\$ 94,225,765
Capital assets	84,945,558	83,237,644
Total assets	<u>183,602,536</u>	<u>177,463,409</u>
Current liabilities	1,771,682	2,257,294
Long-term liabilities	70,819,410	75,806,115
Total Liabilities	<u>72,591,092</u>	<u>78,063,409</u>
Net assets:		
Invested in capital assets, net of related debt	46,422,312	42,012,677
Restricted	49,705,729	43,727,531
Unrestricted	14,883,403	13,659,792
Total Net Assets	<u>\$ 111,011,444</u>	<u>\$ 99,400,000</u>

As of June 30, 2008, assets for the Agency totaled \$183.6 million, an increase of approximately \$6.1 million from the prior year. Net capital assets increased \$1.7 million due to \$1.1 million paid for land, \$2.6 million spent on various capital projects in the RDA's project area, reduced by \$2 million in depreciation for the year. Capital projects included sidewalks and pedestrian improvements, renovation of fire station #1, Plaza Vera Cruz, and other projects. Cash and investments increased from \$20 million in fiscal year 2007 to \$21.2 million in fiscal year 2008. This \$1.2 million increase in cash and investments is the result of tax revenues in excess of operating expenses and transfers to the capital projects and debt service funds during the year. Restricted cash with fiscal agents decreased \$2.8 million due to capital project expenditures during the year.

Liabilities at year-end totaled approximately \$72.6 million, a \$5.5 million decrease from the prior year. The largest factors contributing to the change are: The \$4.9 million principal retirement on outstanding tax allocation bonds and a \$300,000 decrease in accounts payable at year-end.

Net assets as of June 30, 2008, totaled \$111 million. Of this total, \$46.4 million is invested in capital assets (net of related debt); \$49.7 million is restricted, of which \$41.4 million is restricted for low and moderate-income housing activities; and \$14.8 million is unrestricted. In total, net assets increased by approximately \$11.6 million. This is due to a \$ 1.3 million increase in tax increment revenue this year, \$980,000 increase in investment income, and a \$3.5 million decrease in program expenses (including grants and capital expenditures).

Statement of Activities

Table 2 provides a summary of the Statement of Activities for the Agency for the fiscal years ended June 30, 2008 and 2007. As shown in Table 2, revenues for the year ended June 30, 2008, totaled \$22 million, an increase of \$2.9 million. Of total revenues, \$18.1 million (82%) consists of property tax increment revenues. As previously discussed, the nature of redevelopment agencies is such that they are created for the purpose of eliminating blight, through capital improvements, where needed in the community. The improvements are financed by the issuance of

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

bonds that are repaid from the incremental property tax revenues generated from the improvements. Therefore, incremental property tax revenues are generally the largest and primary source of revenues for redevelopment agencies. Tax increment revenues grew by approximately \$1.3 million (8%) from prior year.

**Table 2
Redevelopment Agency of the City of Santa Barbara
Statement of Activities
Fiscal Years Ended June 30, 2008 and 2007**

	2008	2007
General Revenues:		
Property tax increment	\$ 18,080,961	\$ 16,731,501
Interest revenue	3,116,928	2,136,623
Program revenue	325,779	193,472
Other revenue	478,985	26,069
Total revenues	<u>22,002,653</u>	<u>19,087,665</u>
Expenses:		
General government	3,108,640	2,514,394
Housing	1,382,841	1,151,409
Debt service - interest	3,343,935	3,579,062
Capital improvements	2,555,793	6,613,401
Total expenses	<u>10,391,209</u>	<u>13,858,266</u>
Increase in net assets	11,611,444	5,229,399
Net Assets, beginning of year	99,400,000	94,170,601
Net Assets, end of year	<u>\$ 111,011,444</u>	<u>\$ 99,400,000</u>

The other significant revenue is from investment earnings which totaled \$3.1 million. Investment revenue consists of interest income on RDA loans, pooled investments, and investments held by fiscal agents. Interest on pooled cash and investments increased by \$980,000 as the average yield on investments rose from 4.427% for the year ended June 30, 2007 to 4.819% for the year ended June 30, 2008.

Interest on RDA loans receivable is not affected by the interest rate environment, but by loans outstanding and the interest rate contracted when the loans were made. The accounting adjustment required by Governmental Accounting Standards Board Statement No. 31 (GASB 31) to adjust the Agency's portfolio to fair market value resulted in a \$49,604 increase in interest income compared to a \$55,342 increase in the prior year.

Expenses totaled \$10.4 million, a \$3.5 million decrease from the prior year. The decrease was primarily due to a \$4.1 million decrease in capital expenses which was offset by an increase of \$594,000 in General government expenses and \$231,000 in housing expenses. Capital project expenses are incurred as needed and are not equally spread across multiple years. The \$4.1 million decrease from the prior year was mostly attributable to a \$3.2 million State Street sidewalk project that was completed in the prior year. The \$594,000 increase in General Government expenses from the prior year is primarily due to increased grant expenditures made during the year.

Net assets increased during the year as property tax increment and other revenues exceeded expenditures by \$11.6 million. This increase shows continuing strength in the financial condition of the Agency. In total, the Agency received \$22 million in operating revenues, and incurred \$10.4 million in operating expenditures. This surplus,

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

however, was used to retire \$4.8 million in outstanding long-term bonds and fund the \$3.7 million additional investment in capital assets, neither of which affects total net assets.

ANALYSIS OF FUND FINANCIAL STATEMENTS

As previously noted, the fund financial statements are prepared using the modified accrual basis of accounting, where the focus is short-term (i.e., "spendable") financial resources. As such, the balance sheets of governmental funds present current assets and liabilities, and fund balance (assets over liabilities) represents amounts available to fund current operations. Unlike the balance sheets of the Government-wide Statements, the fund statements do not include capital assets or long-term debt.

Table 3 Redevelopment Agency of the City of Santa Barbara Combined Balance Sheet As of June 30, 2008 and 2007		
	2008	2007
Assets		
Cash and investments	\$ 21,189,720	\$ 19,963,830
Accrued interest receivable	146,905	206,802
Loans receivable	44,273,405	37,960,315
Cash and investments with fiscal agents	31,290,196	34,124,709
Total Assets	<u>96,900,226</u>	<u>92,255,656</u>
Liabilities		
Accounts payable	752,572	1,053,398
Deposits	14,000	168,108
Interest payable	209,120	175,370
Total Liabilities	<u>975,692</u>	<u>1,396,876</u>
Fund Balance		
Reserved for:		
Encumbrances	7,179,765	1,650,002
Non-current assets	44,273,405	37,424,524
Debt service	-	698,627
Redevelopment activities	39,274,651	43,859,263
Low and moderate income housing	5,196,713	7,226,364
Total Fund Balance	<u>95,924,534</u>	<u>90,858,780</u>
Total Liabilities and Fund Balance	<u>\$ 96,900,226</u>	<u>\$ 92,255,656</u>

Table 3 summarizes the balance sheet of all governmental funds as of June 30, 2008, and June 30, 2007. Assets at June 30, 2008, totaled \$96.9 million. The largest assets, at \$44.3 million and \$31.3 million, are loans receivable and cash and investments with fiscal agents.

Loans receivable, which increased \$6.3 million from prior year, primarily include loans provided to low and moderate-income households from the 20% of tax increment set aside for housing pursuant to State law. Loans receivable also includes \$4.8 million loaned to the Santa Barbara Housing Authority during the year for low and moderate income activities and loans provided to non-profit developers for purposes of increasing the number of affordable housing units in the City. As these loans are repayable over more than one year and therefore are not currently available for appropriation, a corresponding amount of fund balance is "Reserved for non-current assets"

Redevelopment Agency of the City of Santa Barbara

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

as shown in Table 3.

The majority of the cash and investments with fiscal agents represent bond proceeds which will be used for downtown redevelopment projects. The balance represents funds held in reserve pursuant to related bond indenture provisions for the benefit of bondholders. Cash and investments with fiscal agents decreased by approximately \$2.8 million from prior year as these funds were disbursed for the related capital projects and loans. This decrease was offset by a net increase of \$1.2 million in pooled cash and investments (i.e. not held by fiscal agents).

Total liabilities decreased by approximately \$421,000. The decrease was entirely due to the timing of expenditures at year end. Expenditures incurred but not paid until fiscal year 2008 were recorded as accounts payable at June 30, 2008.

Overall, fund balance increased \$5 million, from \$90.9 million to \$ 95.9 million at June 30, 2008 with varying differences among the categories of fund balance. The \$6.8 million increase in reserve for non-current assets is due to the increase in long-term loans receivable, as previously discussed. The \$4.6 million decrease in the reserve for redevelopment activities is the result of the consumption of bond funds for capital projects, either as direct expenditures or encumbrances. Low and Moderate Housing (Low Mod) reserves decreased \$2 million due to expenditures for Low Mod housing activities exceeding tax increment revenues in the Housing Fund. Fund Balance reserved for encumbrances increased \$5.5 million from the prior year. This is due to budgeted projects that were encumbered during the year but not expended at year end.

GENERAL FUND HIGHLIGHTS

Table 4 recaps the budgeted and actual results of operations of the Agency's General Fund for the fiscal year ended June 30, 2008, including the originally adopted and final amended budget amounts. The adopted budget for revenues remained unchanged during the year at \$14.2 million. This included a \$13.9 million estimate for property tax increment revenues and \$303,000 for interest revenue. Actual revenues for the year were \$15.9 million, resulting in a variance of \$1.7 million. Because property tax revenues represent 98% of total budgeted revenues, amounts are budgeted conservatively and thus generally show a favorable variance at year-end. The \$558,000 variance in interest revenue is due to increased yield on the Agency's investment portfolio and a positive \$50,000 GASB 31 adjustment.

Expenditures (excluding transfers) were budgeted at \$3.3 million on July 1, 2007, with the final budget increasing to \$6.4 million. The additional appropriations of \$3.1 million consist of the carryover of appropriations from the prior year's budget as well as additional appropriations approved by the Board during the year. As shown in Table 4, \$3.1 million was expended during the year, resulting in a favorable expenditure variance of approximately \$3.3 million. The \$12.5 million in transfers out includes \$9.8 million transferred to debt service funds to cover principal and interest payments on outstanding bonds as well as \$2.7 million in transfers to the RDA capital projects fund.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

**Table 4
Redevelopment Agency of the City of Santa Barbara
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Fiscal Year Ended June 30, 2008**

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property tax increment	\$ 13,860,000	\$ 13,860,000	\$ 14,464,769	\$ 604,769
Interest revenue	303,000	303,000	861,330	558,330
Other revenue	-	-	528,945	528,945
Total Revenues	<u>14,163,000</u>	<u>14,163,000</u>	<u>15,855,044</u>	<u>1,692,044</u>
Expenditures				
Supplies and services	1,604,695	1,605,133	1,554,316	50,817
Projects	1,626,118	4,675,722	1,538,475	3,137,247
Other	91,500	91,500	15,849	75,651
Total Expenditures	<u>3,322,313</u>	<u>6,372,355</u>	<u>3,108,640</u>	<u>3,263,715</u>
Excess of revenues over expenditures	10,840,687	7,790,645	12,746,404	4,955,759
Other Financing Uses				
Transfer to other government	(10,249)	(10,249)	(10,249)	-
Transfers out	<u>(13,211,884)</u>	<u>(13,211,884)</u>	<u>(12,491,020)</u>	<u>720,864</u>
Total other financing uses	(13,222,133)	(13,222,133)	(12,501,269)	720,864
Net change in fund balance	(2,381,446)	(5,431,488)	245,135	5,676,623
Fund balance, beginnng	<u>7,886,989</u>	<u>7,886,989</u>	<u>7,886,989</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,505,543</u>	<u>\$ 2,455,501</u>	<u>\$ 8,132,124</u>	<u>\$ 5,676,623</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets include those acquired or constructed by the Agency in connection with redevelopment projects. Table 5 below provides a summary of capital assets, net of accumulated depreciation, as of June 30, 2008 and 2007.

Total capital assets (net of \$19.6 million in accumulated depreciation) at June 30, 2008, were \$84.9 million, an increase of approximately \$1.7 million from prior year. As shown in Note 4 to the financial statements, the increase was the net of \$3.7 million in capital asset additions and \$2 million of depreciation expense during the year. As shown in Table 5, construction in progress increased by \$1.6 million from the prior year. This increase is due to several capital projects that are in progress, including \$781,000 for Cabrillo Blvd Sidewalks and \$676,000 for renovations to fire station #1.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
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**Table 5
Redevelopment Agency of the City of Santa Barbara
Summary of Capital Assets
Net of Accumulated Depreciation
As of June 30, 2008 and 2007**

	2008	2007
Land	\$ 40,429,911	\$ 39,305,641
Equipment	150,574	163,668
Buildings	24,645,173	25,303,688
Building Improvements	663,323	680,553
Infrastructure	2,966,593	2,121,452
Improvements other than buildings	8,863,211	9,993,576
Construction in progress	7,227,773	5,669,066
Total	<u>\$ 84,946,558</u>	<u>\$ 83,237,644</u>

Long-term Debt

As of June 30, 2008, the Agency had \$70.1 million in outstanding tax allocation bonds and \$750,000 in State Housing loans outstanding. The Agency issues tax allocation bonds to provide funds for the redevelopment activities of the RDA. No new debt was issued this fiscal year and the Agency made principal payments totaling \$4.8 million. The Agency's outstanding debt is currently rated AAA by Moody's Investors Service and by Standard & Poor's Rating Services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary economic factor affecting the Redevelopment Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The strong real estate market from 2000 through 2005 resulted in continued and substantial growth in revenues and, thus, allowed for the funding of important projects and activities during that period. The local real estate market has been significantly impacted this year by the nation-wide housing slump. Growth in property taxes is expected to slow considerably in the next year. However, despite the difficult state of the real estate market, and the decrease in the median housing prices, we may not necessarily see a significant drop in the property tax base. Because of Proposition 13 that was enacted in the 1970s, increases in assessed property values are limited significantly until a property is sold or major improvements result in a reassessment. Therefore, even though prices are declining, the effect on property taxes is uncertain. Accordingly, the Agency budgeted a modest 4% growth in tax increment revenues from the prior year's budget, bringing the budgeted total to \$18 million.

The State of California is experiencing a severe budget crisis due to a significant drop in many key revenues. The Governor and the legislature will be working on a plan to get the State through these difficult times. Given the magnitude of the problem, and the history of the State's budget balancing strategies, it is very probable that the State will take money from the redevelopment agencies once again to help balance the budget. If RDA funds are used again to close the State's budget gap, there will likely be a significant impact on the Agency's operations.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Redevelopment Agency's finances for all those with an interest. Questions concerning the information provided in this report or requests for additional financial information should be directed to:

Mr. Robert Samario, Assistant Finance Director
or Mr. Rudolf Livingston, Accounting Manager
City of Santa Barbara – Department of Finance
P.O. Box 1990
Santa Barbara, CA 93102-1990
Phone: 805-564-5334
BSamario@SantaBarbaraCa.gov
RLivingston@SantaBarbaraCa.gov

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities
ASSETS	
Cash and investments	\$ 21,189,720
Accrued interest receivable	146,905
Loans receivable	44,273,405
Deferred charge -issuance costs, net	1,458,330
Deferred charge - discount, net	297,422
Restricted assets:	
Cash and investments with fiscal agents	31,290,196
Capital assets not being depreciated:	
Land	40,429,911
Construction in progress	7,227,773
Capital assets (net of accumulated depreciation):	
Buildings	24,645,173
Building improvements	663,323
Improvements other than buildings	8,863,211
Equipment	150,574
Infrastructure	2,966,593
Total capital assets	<u>84,946,558</u>
Total assets	<u>183,602,536</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	752,572
Accrued interest payable	1,005,110
Deposits	14,000
Total current liabilities	<u>1,771,682</u>
Noncurrent liabilities	
Unamortized debt premium	804,410
Bonds payable:	
Due within one year	5,100,000
Due in more than one year	64,915,000
Total noncurrent liabilities	<u>70,819,410</u>
Total liabilities	<u>72,591,092</u>
NET ASSETS	
Invested in capital assets, net of related debt	46,422,312
Restricted for:	
Capital projects	8,315,611
Low and moderate income programs	41,390,118
Unrestricted	14,883,403
Total net assets	<u>\$ 111,011,444</u>

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets
Governmental activities:			
General government	\$ 3,108,640	\$ 54,615	\$ (3,054,025)
Housing	1,382,841	159,423	(1,223,418)
Redevelopment capital	2,555,793	-	(2,555,793)
Debt service:			
Interest	3,343,935	111,741	(3,232,194)
Total governmental activities	<u>\$ 10,391,209</u>	<u>\$ 325,779</u>	<u>(10,065,430)</u>
General revenues:			
Property taxes			18,080,961
Investment earnings			3,116,928
Other revenue			<u>478,985</u>
Total general revenues			<u>21,676,874</u>
Change in net assets			11,611,444
Net assets, beginning of year			<u>99,400,000</u>
Net assets, end of year			<u><u>\$ 111,011,444</u></u>

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
<u>Assets</u>					
Cash and investments	\$ 8,073,923	\$ 4,800,186	\$ 8,315,611	\$ -	\$ 21,189,720
Accrued interest receivable	79,140	67,765	-	-	146,905
Loans receivable	-	41,973,405	2,300,000	-	44,273,405
Restricted assets:					
Cash and investments with fiscal agent	-	549,442	30,740,754	-	31,290,196
Total assets	<u>\$ 8,153,063</u>	<u>\$ 47,390,798</u>	<u>\$ 41,356,365</u>	<u>\$ -</u>	<u>\$ 96,900,226</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts payable	\$ 6,939	\$ 4,517	\$ 741,116	\$ -	\$ 752,572
Deposits	14,000	-	-	-	14,000
Interest payable	-	209,120	-	-	209,120
Total liabilities	<u>20,939</u>	<u>213,637</u>	<u>741,116</u>	<u>-</u>	<u>975,692</u>
<u>Fund Balances:</u>					
Reserved for:					
Encumbrances	305,028	7,043	6,867,694	-	7,179,765
Non-current assets	-	41,973,405	2,300,000	-	44,273,405
Redevelopment activities	7,827,096	-	31,447,555	-	39,274,651
Low and moderate income housing	-	5,196,713	-	-	5,196,713
Total fund balances	<u>8,132,124</u>	<u>47,177,161</u>	<u>40,615,249</u>	<u>-</u>	<u>95,924,534</u>
Total liabilities and fund balances	<u>\$ 8,153,063</u>	<u>\$ 47,390,798</u>	<u>\$ 41,356,365</u>	<u>\$ -</u>	<u>\$ 96,900,226</u>

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2008

Total governmental fund balances (page 14)	\$ 95,924,534
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	84,946,558
Costs incurred to refund bonds are an expenditure in the governmental fund but they must be reported as deferred issuance costs in the government-wide financial statements.	227,733
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.	(19,084)
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(70,015,000)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred.	(795,990)
Government funds debt costs such as issuance costs, discounts, and losses on advance refunding are reported as an expenditure when those costs are first incurred because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge in the government-wide financial statements.	600,990
Governmental funds premium received on the issuance of debt is recorded as revenue when received because the premium provides current financial resources. However, the premiums are amortized over the life of the bond issue in the government-wide financial statements.	141,703
Net assets of governmental activities (page 12)	<u><u>\$ 111,011,444</u></u>

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year ended June 30, 2008

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
Revenues:					
Incremental property taxes	\$ 14,464,769	\$ 3,616,192	\$ -	\$ -	\$ 18,080,961
Intergovernmental	-	-	111,741	-	111,741
Use of money and property	861,330	517,612	1,875,805	21,604	3,276,351
Charges for services	54,615	-	-	-	54,615
Other revenues	474,330	3,343	1,312	-	478,985
Total revenues	15,855,044	4,137,147	1,988,858	21,604	22,002,653
Expenditures:					
Current:					
Supplies and services	1,554,316	789,294	-	-	2,343,610
Projects	1,538,475	92,282	4,689,297	-	6,320,054
Forgiveness of loans receivable	-	60,000	-	-	60,000
Other expenditures	15,849	1,265	-	-	17,114
Debt service:					
Principal	-	440,000	1,140,000	3,265,000	4,845,000
Interest	-	228,825	2,910,984	195,900	3,335,709
Total expenditures	3,108,640	1,611,666	8,740,281	3,460,900	16,921,487
Excess (deficiency) of revenues over (under) expenditures	12,746,404	2,525,481	(6,751,423)	(3,439,296)	5,081,166
Other financing sources (uses):					
Transfer out to the City of Santa Barbara	(10,249)	(3,070)	(2,093)	-	(15,412)
Transfers in	-	-	9,750,351	2,740,669	12,491,020
Transfers out	(12,491,020)	-	-	-	(12,491,020)
Total other financing sources (uses)	(12,501,269)	(3,070)	9,748,258	2,740,669	(15,412)
Net change in fund balances	245,135	2,522,411	2,996,835	(698,627)	5,065,754
Fund balances, beginning of fiscal year	7,886,989	44,654,750	37,618,414	698,627	90,858,780
Fund balances, end of fiscal year	\$ 8,132,124	\$ 47,177,161	\$ 40,615,249	\$ -	\$ 95,924,534

See accompanying notes to the basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008**

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ 5,065,754
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for general capital assets, infrastructure, and other related capital	\$ 3,701,657	
Less current year depreciation	<u>(1,992,741)</u>	1,708,916

Deferred charges on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.	(19,084)
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Repayment and refunding of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	4,845,000
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(53,570)
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Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are accrued and reported in the period when the liability exists in the statement of activities.	64,428
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Net change in net assets of governmental activities (page 13)	<u><u>\$ 11,611,444</u></u>
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See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Redevelopment Agency of the City of Santa Barbara (Agency) conform to accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the Agency's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Agency was created by the City Council of the City of Santa Barbara (City) by Ordinance 32-7, adopted March 5, 1968. Ordinance Number 3906, issued on May 24, 1977, declared the City Council to be the Agency's governing body.

The Agency was established pursuant to Section 33200 of the State of California Health and Safety Code. As such, the Agency acts as a legal entity, separate and distinct from the City, even though the City Council of the City serves as the Agency's governing board.

The actions of the Agency are binding. All business, including the issuance of long-term debt, is routinely transacted in the Agency's name by its appointed representatives. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a declining condition.

The Redevelopment Agency does not have any employees. The City provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement with the Agency.

Under reporting requirements prescribed by generally accepted accounting principles adopted by the GASB, the Agency's financial activity is also reported in the City of Santa Barbara's comprehensive annual financial report. This treatment is due to the requirement that municipal organizations include in one report all operations significantly controlled by the same governing body. Specific interpretation for redevelopment agencies requires their inclusion in the City's comprehensive annual financial report. No express or implied assumption of any of the Agency's liabilities, either at present or in the future, is made by the inclusion of the Agency's financial results in the City's annual financial report. The Agency remains separate for all legal purposes. Accordingly, the accompanying combined financial statements are issued as a separate report of the Redevelopment Agency.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report on the Agency as a whole. The statement of activities demonstrates the degree to which the direct expenses of the Agency's functions are offset by program revenues. Direct expenses are those that are clearly identifiable with the Agency's function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Agency's programs. Other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for the governmental funds of the Agency (balance sheet and the statement of revenues, expenditures and changes in fund balance).

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2008

recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The statement of net assets and statement of activities display information about the Agency as a whole and, accordingly, eliminations have been made to remove interfund activities.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest income associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

The Agency reports the following major governmental funds:

General Fund – Used to account for all financial resources of the Agency, except for those required for debt service, construction and housing activity.

Special Revenue Fund – The Agency has one special revenue fund, the Housing Fund, which is used to account for the financial resources available for low and moderate-income loan and grant programs.

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of the Agency's 1995, 2001, 2003, and 2004 Tax Allocation Bonds which are being used to fund major capital improvement projects of the Agency, and the debt service, including principal, interest, and related costs of the 2001, 2003, and 2004 Tax Allocation Bonds.

1995 Tax Allocation Bond Debt Service Fund – The Debt Service fund is used to account for the accumulation of resources for and the payment of the 1995 Tax Allocation Bond general long-term debt, including principal, interest and related costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. Investments

Investments are reported in the accompanying basic financial statements within the "cash and investments" classification. The Agency has developed a formal investment policy that exceeds the minimum requirements established by the State of California. The Agency believes that it has adhered to established policies for all investment activities. All investments are stated at market value.

E. Incremental Property Tax

Incremental property taxes are considered as revenues by the Agency when they become both measurable and available for financing the Agency's redevelopment activities during the year. Incremental property tax revenues represent property taxes collected from the excess of taxes levied and collected each year on a redevelopment project over that amount which would have been levied and collected on the base year property tax assessment. A property tax base year is determined to be the year prior to the establishment of a redevelopment project area.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2008

Property taxes are levied on March 1, are due on November 1 and March 1, and become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is November 1.

F. Properties Held for Resale

Properties held for resale by the Agency are recorded in the Agency's General Fund at the lower of cost or estimated net realizable value. Realizable value is determined by an agreed-upon sale price with a developer. Prior to the establishment of such a development agreement, the properties are maintained at cost. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributable to properties to be resold to developers.

G. Self-Insurance

For purposes of general liability, the Agency is self-insured. As of June 30, 2007, management is not aware of any outstanding claims that would require accrual.

H. Low and Moderate Income Housing

In accordance with state law, the Agency is required to set aside twenty percent (20%) of the taxes received for low and moderate income housing programs. Historically, the Agency has complied with this requirement. These resources are accounted for in the special revenue fund.

I. Capital Assets

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., sidewalks, and similar items), are reported in the government-wide financial statements. The Agency defines capital assets as assets with an estimated useful life in excess of one year and an initial individual cost of \$10,000 or more for equipment, \$25,000 or more for building improvements and other improvements, \$50,000 or more for buildings and \$100,000 or more for infrastructure. Such assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are charged to operations when incurred. Capital assets, except land and construction in progress, of the Agency are depreciated using the straight-line method using the estimated useful lives below:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure	10-100

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Net Assets

Net assets represent the difference between assets and liabilities. In the Government-wide financial statements, net assets are classified as the following:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2008

- *Restricted Net Assets* – this category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, and Specific Projects and Programs as established by the City Council.
- *Unrestricted Net Assets* – This category represents the net assets of the Agency, which are not restricted for any project or other purpose.

The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 21,189,720
Cash and investments with fiscal agents	31,290,196
Total cash and investments	<u><u>\$ 52,479,916</u></u>

Cash and investments as of June 30, 2008 consist of the following:	
Cash on hand	\$ 75
Demand deposit accounts with financial institutions	4,990,452
Investments	47,489,389
Total cash and investments	<u><u>\$ 52,479,916</u></u>

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	5%
U.S. Government Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$40 million*	N/A

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2008

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with its investment policy, the Agency manages its exposure to declines in fair value by limiting the weighted average maturity to 2 ½ years. In addition, the Agency employs a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the Agency's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

Portfolio diversification is also employed as a way to control risk, including those associated with market changes or issuer default. To control market price risks, volatile investments are avoided, and to control risks of illiquidity, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days.

<u>Investment Type</u>		<u>Weighted Avg. Maturity (in years)</u>
State Local Agency Investment Held by bond trustee:	\$ 16,199,193	N/A
Money market funds	4,850,016	N/A
Investment contracts	26,440,180	N/A
Total	<u>\$ 47,489,389</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

None of the Agency's investments (including investments held by bond trustees) are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2008

Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Unrated</u>
LAIF	\$16,199,193	N/A	\$ -	\$16,199,193
Held by fiscal agents:				
Money market funds	4,850,016	A	4,850,016	-
Investment contracts	26,440,180	N/A	-	26,440,180
Total	<u>\$47,489,389</u>		<u>\$ 4,850,016</u>	<u>\$42,639,373</u>

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency's investments.

Custodial Credit Risk

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 its 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 (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: None of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2008, no Agency investments were held by the safekeeping department of the broker-dealer (counterparty) used by the Agency to buy the securities.

Investment in Local Agency Investment Fund

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Beginning Balance June 30, 2007	Increases	Decreases	Ending Balance June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 39,305,641	\$ 1,124,270	\$ -	\$ 40,429,911
Construction in progress	5,669,065	2,397,972	839,264	7,227,773
Total capital assets, not being depreciated	44,974,706	3,522,242	839,264	47,657,684
Capital assets being depreciated:				
Buildings	26,340,653	-	-	26,340,653
Building Improvements	689,167	-	-	689,167
Improvements other than buildings	25,667,618	-	-	25,667,618
Equipment	196,401	-	-	196,401
Infrastructure	2,961,407	1,018,678	-	3,980,085
Total capital assets being depreciated	55,855,246	1,018,678	-	56,873,924
Less accumulated depreciation for:				
Buildings	(1,036,964)	(658,516)	-	(1,695,480)
Building Improvements	(8,615)	(17,229)	-	(25,844)
Improvements other than buildings	(15,674,042)	(1,130,365)	-	(16,804,407)
Equipment	(32,733)	(13,094)	-	(45,827)
Infrastructure	(839,955)	(173,537)	-	(1,013,492)
Total accumulated depreciation	(17,592,309)	(1,992,741)	-	(19,585,050)
Total capital assets, being depreciated, net	38,262,937	(974,063)	-	37,288,874
Governmental activities capital assets, net	\$ 83,237,643	\$ 2,548,179	\$ 839,264	\$ 84,946,558

Depreciation expense of \$1,992,741 was charged to the General Governmental Function of the Agency.

The Agency has active construction projects as of June 30, 2008. At year-end the Agency's commitments with contractors were as follows:

Project	Spent To Date	Remaining Commitment
Plaza Vera Cruz	\$ 408,826	\$ 29,853
State Street Sidewalks	3,497,679	2,776
Mission Creek Flood Control Channel	17,156	-
Fire Station #1 Remodel	1,222,917	3,949,046
Cabrillo Blvd Sidewalks-Wharf/Milpas	826,224	84,112
West Beach Pedestrian Improvements	369,176	199,240
Plaza De La Guerra Infrastructure	115,927	38,290
West Downtown Improvements	252,035	104,390
Historic Railroad Car	134,817	180,000
Carrillo Rec Center Restoration	183,017	682,952
Teen Center Renovation	200,000	-
Total	\$ 7,227,774	\$ 5,270,659

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

NOTE 4. INTERFUND TRANSFERS

Transfer Out:	Transfer In:		Total
	Agency Capital Projects	Agency Debt Service Fund	
Agency General Fund	\$ 9,750,351	\$ 2,740,669	\$ 12,491,020
Total Transfers	<u>\$ 9,750,351</u>	<u>\$ 2,740,669</u>	<u>\$ 12,491,020</u>

On the Statement of Activities Inter-fund transfers have been eliminated. The inter fund-transfers result from transfers from the Agency general fund to the capital projects fund and debt service fund related to debt service payments on behalf of the Agency.

NOTE 5. LOANS RECEIVABLE

Loans receivable in the governmental funds, totaling \$44,273,405 at June 30, 2008, consist of loans provided to low- and moderate-income households, and developers of low- and moderate-income housing, with interest ranging from 3% to 8% and maturities up to 20 years.

NOTE 6. LONG-TERM DEBT

The Agency issues tax allocation bonds to provide funds for the acquisition of land or property and restoration or rehabilitation construction of existing buildings or improvements to eliminate blight in central downtown Santa Barbara. The Agency pledges tax increment revenues to pay debt service of the tax allocation bonds. The Agency also has a loan due to the California Housing Finance Agency (CHFA) used for the Agency's revolving loan program to facilitate the development of affordable multifamily rental housing projects in the City's downtown area.

GASB 48 Disclosure – Pledging of revenues: Annual principal and interest payments on the tax allocation bonds are expected to require approximately 45% of net tax increment revenues. The total principal and interest remaining to be paid on the Bonds is \$90,593,188 as of June 30, 2008. For the current year, principal and interest paid on the Bonds was \$8,180,709 and property tax increment net revenues were \$18,080,961. The Bonds required 45% of net tax increment revenues.

Long-term debt outstanding at year-end is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding Balance June 30, 2008
Tax allocation bonds:					
2001 Series A	4.125 - 5.00%	07/25/01	03/01/19	\$ 38,855,000	\$ 38,305,000
2003 Series A	4.000 - 5.00%	12/18/03	03/01/19	34,810,000	25,150,000
2004 Series A	2.000 - 5.00%	07/01/04	07/01/19	7,150,000	5,810,000
CHFA Loan	3.00%	10/19/99	10/19/09	750,000	750,000
Total				<u>\$ 81,565,000</u>	<u>\$ 70,015,000</u>

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance 07/01/07	Additions	Retirements	Balance 06/30/08	Due Within One Year	Due in More Than One Year
Tax allocation bonds:						
1995 Senior Series A	\$ 3,265,000	\$ -	\$ 3,265,000	\$ -	\$ -	\$ -
2001 Series A	38,305,000	-	-	38,305,000	2,785,000	35,520,000
2003 Series A	26,290,000	-	1,140,000	25,150,000	1,860,000	23,290,000
2004 Series A	6,250,000	-	440,000	5,810,000	455,000	5,355,000
CHFA Loan	750,000	-	-	750,000	-	750,000
Total	<u>\$74,860,000</u>	<u>\$ -</u>	<u>\$ 4,845,000</u>	<u>\$70,015,000</u>	<u>\$ 5,100,000</u>	<u>\$64,915,000</u>

Annual debt service requirements to maturity for long-term debt are as follows:

Fiscal Year Ending	Principal Payments				Total
	2001 Tax Allocation	2003 Tax Allocation	2004 Tax Allocation	CHFA Loan	
2009	\$ 2,785,000	\$ 1,860,000	\$ 455,000	\$ -	\$ 5,100,000
2010	2,895,000	1,920,000	470,000	750,000	6,035,000
2011	3,015,000	1,975,000	480,000	-	5,470,000
2012	3,140,000	2,075,000	490,000	-	5,705,000
2013	3,280,000	2,140,000	505,000	-	5,925,000
2014 - 2018	18,850,000	12,345,000	2,790,000	-	33,985,000
2019	4,340,000	2,835,000	620,000	-	7,795,000
Principal payments outstanding	<u>38,305,000</u>	<u>25,150,000</u>	<u>5,810,000</u>	<u>750,000</u>	<u>70,015,000</u>

Fiscal Year Ending	Interest Payments				Total
2009	1,764,854	1,106,230	181,650	-	3,052,734
2010	1,649,972	1,050,430	168,950	220,370	3,089,722
2011	1,530,554	992,830	156,595	-	2,679,979
2012	1,406,185	894,080	142,765	-	2,443,030
2013	1,271,165	821,455	127,840	-	2,220,460
2014 - 2018	3,927,200	2,443,175	371,358	-	6,741,733
2019	217,000	121,905	11,625	-	350,530
Interest payments outstanding	<u>11,766,930</u>	<u>7,430,105</u>	<u>1,160,783</u>	<u>220,370</u>	<u>20,578,188</u>
Net Debt Service Obligation	<u>\$ 50,071,930</u>	<u>\$ 32,580,105</u>	<u>\$ 6,970,783</u>	<u>\$ 970,370</u>	<u>\$ 90,593,188</u>

The Agency has complied with all significant bond covenants.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2008

NOTE 7. LITIGATION

The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency's Counsel, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Agency.

NOTE 8. OTHER REQUIRED DISCLOSURES – CERTIFICATES OF PARTICIPATION

In 1984, the Agency issued certificates of participation in order to finance the acquisition and construction of certain harbor improvements to the Santa Barbara Harbor. These improvements were leased to the City of Santa Barbara for the benefit of the Tidelands Trust Fund, which is now known as the Waterfront Fund, an enterprise fund of the City. These certificates were refunded in 1986, 1992, and through the issuance of the 2002 \$19,405,000 Refunding Certificates of Participation. Pursuant to an agreement dated July 2, 2002, the rights to the lease payments from the Waterfront Fund have been assigned to the Redevelopment Agency, a trustee for the benefit of the registered owners of the Certificates. Accordingly, the liability associated with the obligations under the Certificates of Participation have been recorded within the Waterfront Fund and are therefore not included as a liability of the Agency. As of June 30, 2008, the Refunding Certificates of Participation have an outstanding balance of \$16,115,000.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2008

Notes to the Required Supplementary Information

BUDGETARY INFORMATION

The Agency follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- Prior to May 1, the Executive Director submits to the Agency Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- Prior to June 30, the budget is legally adopted through the passage of a resolution.
- Expenditures may not legally exceed appropriations at the fund level.

Formal operating budget integration is employed as a management control device during the year for the General Fund and Housing Special Revenue Fund. Formal budgetary integration is not employed for the Agency's Debt Service Fund because effective budgetary control is alternatively achieved through the provisions of the Agency's bond indentures. While budgets are prepared for the Agency's capital projects fund, capital projects generally span more than one fiscal year and are effectively controlled at the project level. The Housing Special Revenue Fund budget also includes appropriations for certain multi-year capital projects. As such, variances between actual and budget may not be meaningful. Budget appropriations lapse at year-end with the exception of special projects, capital programs, and funds encumbered by contract or purchase order.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Housing Fund. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they represent financial obligations for goods and services received through June 30, 2008, but not yet paid.

Except for the General Fund, individual amendments were not material in relation to the original appropriations.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2008

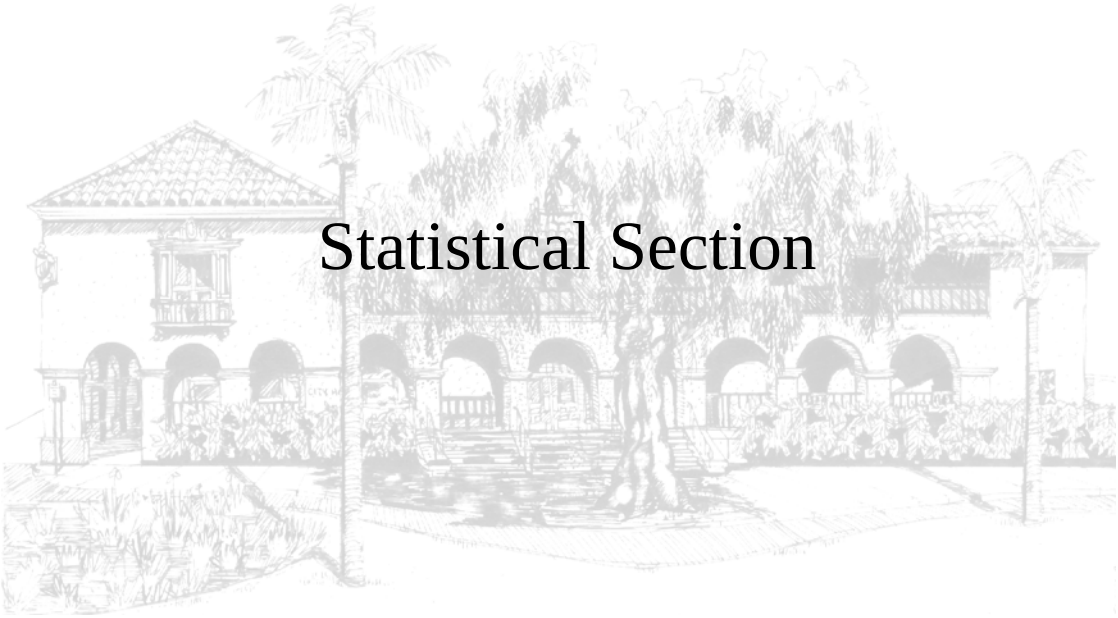
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
For the Year Ended June 30, 2008

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Incremental property tax	\$ 13,860,000	\$ 13,860,000	\$ 14,464,769	\$ 604,769
Use of money and property	303,000	303,000	861,330	558,330
Charges for services	-	-	54,615	54,615
Other Revenue	-	-	474,330	474,330
Total Revenues	14,163,000	14,163,000	15,855,044	1,692,044
EXPENDITURES				
Current:				
Supplies and services	1,604,695	1,605,133	1,554,316	50,817
Projects	1,626,118	4,675,722	1,538,475	3,137,247
Other expenditures	91,500	91,500	15,849	75,651
Total Expenditures	3,322,313	6,372,355	3,108,640	3,263,715
Excess of revenues over expenditures	10,840,687	7,790,645	12,746,404	4,955,759
OTHER FINANCING USES				
Transfers out to the City of Santa Barbara	(10,249)	(10,249)	(10,249)	-
Transfers out	(13,211,884)	(13,211,884)	(12,491,020)	720,864
Total other financing uses	(13,222,133)	(13,222,133)	(12,501,269)	720,864
Net change in fund balance	(2,381,446)	(5,431,488)	245,135	5,676,623
Fund balance, beginning of fiscal year	7,886,989	7,886,989	7,886,989	-
Fund balance, end of fiscal year	\$ 5,505,543	\$ 2,455,501	\$ 8,132,124	\$ 5,676,623

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2008

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
For the Year Ended June 30, 2008

	Special Revenue Housing Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Incremental property tax	\$ 3,465,000	\$ 3,465,000	\$ 3,616,192	\$ 151,192
Use of money and property	360,000	360,000	517,612	157,612
Other Revenue	-	-	3,343	3,343
Total Revenues	3,825,000	3,825,000	4,137,147	312,147
EXPENDITURES				
Current:				
Supplies and services	780,901	780,901	789,294	(8,393)
Projects	6,500	82,954	92,282	(9,328)
Forgiveness of loans receivable	-	-	60,000	(60,000)
Other expenditures	80,000	80,000	1,265	78,735
Debt Service:				
Principal	440,000	440,000	440,000	-
Interest	195,075	195,075	228,825	(33,750)
Total Expenditures	1,502,476	1,578,930	1,611,666	(32,736)
Excess of revenues over expenditures	2,322,524	2,246,070	2,525,481	279,411
OTHER FINANCING USES				
Transfers out to the City of Santa Barbara	(3,070)	(3,070)	(3,070)	-
Net change in fund balance	2,319,454	2,243,000	2,522,411	279,411
Fund balance, beginning of fiscal year	44,654,750	44,654,750	44,654,750	-
Fund balance, end of fiscal year	\$ 46,974,204	\$ 46,897,750	\$ 47,177,161	\$ 279,411



Statistical Section

STATISTICAL SECTION

This part of the Redevelopment Agency of the City of Santa Barbara's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	32
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	38
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	42
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	47
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	49

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Redevelopment Agency of the City of Santa Barbara
Net assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	\$31,019	\$33,161	\$40,454	\$45,688	\$42,215	\$42,013	\$46,422
Restricted	36,902	39,013	37,010	45,299	41,154	43,727	49,706
Unrestricted	5,221	6,424	7,770	1,460	10,802	13,660	14,883
Total governmental activities net assets	<u>\$73,142</u>	<u>\$78,598</u>	<u>\$85,234</u>	<u>\$92,447</u>	<u>\$94,171</u>	<u>\$99,400</u>	<u>\$111,011</u>

Redevelopment Agency of the City of Santa Barbara
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year						
Expenses	2002	2003	2004	2005	2006	2007	2008
Governmental activities:							
General government	\$ 2,780	\$ 4,976	\$ 3,893	\$ 4,390	\$ 3,941	\$ 2,515	\$3,108
Housing	376	703	1,232	673	2,585	1,151	1,383
Redevelopment capital	918	976	992	136	7,873	6,613	2,556
Interest on long-term debt	3,352	3,133	2,519	3,886	3,823	3,579	3,344
Total governmental activities expenses	<u>7,426</u>	<u>9,788</u>	<u>8,636</u>	<u>9,085</u>	<u>18,222</u>	<u>13,858</u>	<u>10,391</u>
Program Revenues							
Governmental activities:							
Operating grants and contributions	441	403	316	238	640	193	325
Total governmental activities program revenues	<u>441</u>	<u>403</u>	<u>316</u>	<u>238</u>	<u>640</u>	<u>193</u>	<u>325</u>
Net (expense)							
Governmental activities	<u>(6,985)</u>	<u>(9,385)</u>	<u>(8,320)</u>	<u>(8,847)</u>	<u>(17,582)</u>	<u>(13,665)</u>	<u>(10,066)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property	11,853	12,774	12,862	13,858	15,179	16,731	18,081
Investment income	2,566	2,056	2,092	2,116	1,978	2,137	3,117
Other revenue	4	11	2	86	2,056	26	479
Total governmental activities	<u>14,423</u>	<u>14,841</u>	<u>14,956</u>	<u>16,060</u>	<u>19,213</u>	<u>18,894</u>	<u>21,677</u>
Change in Net Assets							
Governmental activities	<u>\$ 7,438</u>	<u>\$ 5,456</u>	<u>\$ 6,636</u>	<u>\$ 7,213</u>	<u>\$ 1,631</u>	<u>\$ 5,229</u>	<u>\$ 11,611</u>

Redevelopment Agency of the City of Santa Barbara
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax
1999	\$9,235
2000	9,624
2001	11,183
2002	11,853
2003	12,774
2004	12,862
2005	13,858
2006	15,179
2007	16,731
2008	18,081

Redevelopment Agency of the City of Santa Barbara
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 3,848	\$ 3,359	\$ 4,498	\$ 5,332	\$ 3,956	\$ 3,716	\$ 3,132	\$ 5,658	\$ 7,887	\$ 8,132
All other governmental funds										
Reserved	32,301	36,635	35,337	73,583	77,039	105,987	106,464	88,478	82,972	87,793
Total Fund Balance	<u>\$36,149</u>	<u>\$39,994</u>	<u>\$39,835</u>	<u>\$78,915</u>	<u>\$80,995</u>	<u>\$109,703</u>	<u>\$109,596</u>	<u>\$94,136</u>	<u>\$90,859</u>	<u>\$ 95,925</u>

Redevelopment Agency of the City of Santa Barbara
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Incremental property taxes	\$9,235	\$9,624	\$11,183	\$11,853	\$12,851	\$12,945	\$13,946	\$15,273	\$16,831	\$18,081
Use of money and property	1,274	1,406	1,991	2,570	2,460	2,408	2,354	2,618	2,330	3,276
Other revenues	1,491	1,412	17	4	11	2	120	2,056	26	645
Total revenues	<u>12,000</u>	<u>12,442</u>	<u>13,191</u>	<u>14,427</u>	<u>15,322</u>	<u>15,355</u>	<u>16,420</u>	<u>19,947</u>	<u>19,187</u>	<u>22,002</u>
Expenditures										
Supplies and services	880	889	929	1,366	1,474	1,627	1,820	2,066	2,271	2,343
Projects	6,004	2,213	6,938	4,589	4,508	4,120	13,206	25,120	11,275	6,320
Other expenditures	22	28	16	75	36	38	19	14	11	77
Debt service										
Principal	3,225	3,410	3,600	4,345	3,985	5,210	4,535	5,190	5,350	4,845
Interest	2,236	2,058	1,868	2,777	3,239	3,109	3,792	3,767	3,557	3,336
Other charges	-	-	-	-	-	941	305	-	-	-
Total expenditures	<u>12,367</u>	<u>8,598</u>	<u>13,351</u>	<u>13,152</u>	<u>13,242</u>	<u>15,045</u>	<u>23,677</u>	<u>36,157</u>	<u>22,464</u>	<u>16,921</u>
Excess of revenues over (under) expenditures	(367)	3,844	(160)	1,275	2,080	310	(7,257)	(16,210)	(3,277)	5,081
Other financing sources (uses)										
Transfers in	6,230	7,398	7,486	14,420	8,315	9,502	9,015	8,213	12,571	12,491
Transfers out	(6,230)	(7,398)	(7,486)	(14,424)	(8,315)	(9,502)	(9,015)	(8,213)	(12,571)	(12,506)
Proceeds from bond issuance	-	-	-	37,810	-	28,398	7,150	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,806</u>	<u>-</u>	<u>28,398</u>	<u>7,150</u>	<u>-</u>	<u>-</u>	<u>(15)</u>
Net change in fund balances	<u>(\$367)</u>	<u>\$3,844</u>	<u>(\$160)</u>	<u>\$39,081</u>	<u>\$2,080</u>	<u>\$28,708</u>	<u>(\$107)</u>	<u>(\$16,210)</u>	<u>(\$3,277)</u>	<u>\$5,066</u>
Debt service as a percentage of noncapital expenditures	85.8%	85.6%	85.3%	83.2%	82.7%	83.3%	81.9%	81.2%	79.6%	77.2%

Redevelopment Agency of the City of Santa Barbara
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Incremental property taxes	\$9,235	\$9,624	\$11,183	\$11,853	\$12,851	\$12,945	\$13,946	\$15,273	\$16,831	\$18,081

Redevelopment Agency of the City of Santa Barbara
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
1999	\$828,526	\$181,872	(\$42,437)	\$967,961	1.00%
2000	863,742	189,602	(44,240)	1,009,104	1.00%
2001	1,022,931	215,719	(52,137)	1,186,513	1.00%
2002	1,094,347	227,297	(54,310)	1,267,334	1.00%
2003	1,164,940	237,653	(55,639)	1,346,954	1.00%
2004	1,218,914	248,409	(77,833)	1,389,490	1.00%
2005	1,303,295	250,008	(82,652)	1,470,651	1.00%
2006	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	1,851,532	336,783	(150,558)	2,037,757	1.00%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: Santa Barbara County Auditor-Controller

Redevelopment Agency of the City of Santa Barbara
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

Fiscal Year	<u>Direct Rates</u>	<u>Overlapping Rates</u>		<u>Total</u>
	<u>General</u>	<u>City Bonds</u>	<u>Schools Bonds</u>	
1999	\$1.000	-	\$0.022	\$1.022
2000	1.000	-	0.019	1.019
2001	1.000	-	0.027	1.027
2002	1.000	-	0.028	1.028
2003	1.000	-	0.027	1.027
2004	1.000	-	0.025	1.025
2005	1.000	-	0.021	1.021
2006	1.000	-	0.026	1.026
2007	1.000	-	0.026	1.026
2008	1.000	-	0.026	1.026

Sources: Santa Barbara County Auditor-Controller

Redevelopment Agency of the City of Santa Barbara
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	Fiscal Year 2008		Fiscal Year 1999	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Paseo Nuevo Association ⁽¹⁾	\$90,327	4.43%	\$51,743	5.35%
Parker Fess Doubletree Hotel	77,695	3.81%	66,397	6.86%
Due West, LLC	28,429	1.40%	-	0.00%
Ralphs Grocery Co	24,946	1.22%	-	0.00%
ESJ Centers	18,707	0.92%	22,127	2.29%
BDC Paseo Chapala	15,897	0.78%	-	0.00%
Romasanta Fam Liv Trust 12/3/03	15,859	0.78%	-	0.00%
Ampersand Publishing	15,737	0.77%	-	0.00%
Chapala One, LLC	15,297	0.75%	-	0.00%
1129 State Street	14,897	0.73%	12,410	1.28%
New York Times Company	-	0.00%	13,462	1.39%
Union Pacific Railroad Company	-	0.00%	13,408	1.39%
Old Town Mall	-	0.00%	12,454	1.29%
El Paseo of Santa Barbara	-	0.00%	10,623	1.10%
Heiner Gerald & Dorothy L Trustees	10,556	0.52%	9,962	1.03%
State Street Properties	12,525	0.61%	9,469	0.98%
	<u>\$317,791</u>	<u>15.60%</u>	<u>\$222,055</u>	<u>22.94%</u>

(1) The City's Redevelopment Agency owns the property and leases the property to the Paseo Nuevo Mall Association which is responsible for the payment of property taxes related thereto.

Sources: Santa Barbara County Auditor-Controller

Redevelopment Agency of the City of Santa Barbara
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$9,235	\$9,235	100%	\$ -	\$9,235	100%
2000	9,624	9,624	100%	-	9,624	100%
2001	11,183	11,183	100%	-	11,183	100%
2002	11,853	11,853	100%	-	11,853	100%
2003	12,774	12,774	100%	-	12,774	100%
2004	12,862	12,862	100%	-	12,862	100%
2005	13,858	13,858	100%	-	13,858	100%
2006	15,179	15,179	100%	-	15,179	100%
2007	16,731	16,731	100%	-	16,731	100%
2008	18,081	18,081	100%	-	18,081	100%

Redevelopment Agency of the City of Santa Barbara
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Tax Allocation Bonds	Loans	Total	Percentage of Personal Income¹	Per Capita¹
1999	\$36,160	\$ -	\$36,160	0.32%	\$397
2000	32,750	-	32,750	0.28%	356
2001	29,150	-	29,150	0.23%	319
2002	63,660	-	63,660	0.49%	702
2003	59,675	-	59,675	0.46%	660
2004	82,035	-	82,035	0.60%	906
2005	84,650	750	85,400	0.55%	943
2006	79,460	750	80,210	0.49%	896
2007	74,110	750	74,860	0.44%	837
2008	69,265	750	70,015	0.38%	775

Note: Details regarding the agency's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics on page 47 for personal income and population data.

Redevelopment Agency of the City of Santa Barbara
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Tax Allocation Bonds	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
1999	\$36,160	\$ -	\$4,892	\$31,268	3.23%	\$344
2000	32,750	-	4,872	27,878	2.76%	303
2001	29,150	-	4,917	24,233	2.04%	265
2002	63,660	-	4,812	58,848	4.64%	649
2003	59,675	-	4,767	54,908	4.08%	607
2004	82,035	-	687	81,348	5.85%	898
2005	84,650	750	690	84,710	5.76%	936
2006	79,460	750	696	79,514	5.04%	888
2007	74,110	750	699	74,161	4.31%	829
2008	69,265	750	-	70,015	3.44%	775

Note: Details regarding the agency's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 38 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 47.

**Redevelopment Agency of the City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2008
(amounts expressed in thousands)**

2007-08 Redevelopment Agency Incremental Valuation	\$2,188,315		
	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
<u>Overlapping Debt Repaid with Property Taxes</u>			
Santa Barbara School Districts	\$84,117	15%	\$12,461
Total overlapping debt repaid with property taxes	<u>\$84,117</u>		<u>\$12,461</u>
<u>Direct and Overlapping General Obligation Debt</u>			
Santa Barbara County General Fund Obligations	\$56,460	4%	\$2,085
City of Santa Barbara Certificates of Participation	4,300	15%	637
Total direct and overlapping general obligation debt	<u>\$60,760</u>		<u>\$2,722</u>
Total direct and overlapping debt			<u>\$15,183</u>
<u>Ratio to 2007-08 Redevelopment Incremental Valuation</u>			
Total direct and overlapping debt			0.69%

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Agency. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Agency. This process recognizes that, when considering the Agency's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

¹ Assessed valuation estimates for the Agency, City and County were used to calculate the estimated percentage applicable of the overlapping debt. Assessed valuation (in millions) for the City is \$14,772; County is \$59,253. The same estimated percent applicable to the City is used for the School District.

Sources: County of Santa Barbara

Redevelopment Agency of the City of Santa Barbara
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed valuation	\$1,010,398	\$1,053,344	\$1,238,650	\$1,321,644	\$1,402,593	\$1,467,323	\$1,553,303	\$1,671,786	\$1,820,473	\$2,188,315
Coverage percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	252,600	263,336	309,663	330,411	350,648	366,831	388,326	417,947	455,118	547,079
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	37,890	39,500	46,449	49,562	52,597	55,025	58,249	62,692	68,268	82,062
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$37,890</u>	<u>\$39,500</u>	<u>\$46,449</u>	<u>\$49,562</u>	<u>\$52,597</u>	<u>\$55,025</u>	<u>\$58,249</u>	<u>\$62,692</u>	<u>\$68,268</u>	<u>\$82,062</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Redevelopment Agency of the City of Santa Barbara
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
1999	\$ 9,235	\$ 3,225	\$ 2,235	1.69
2000	9,624	3,410	2,058	1.76
2001	11,183	3,600	1,868	2.05
2002	11,853	4,345	2,739	1.67
2003	12,851	3,985	3,239	1.78
2004	12,945	5,210	3,075	1.56
2005	13,946	4,535	3,701	1.69
2006	15,273	5,190	3,733	1.71
2007	16,831	5,350	3,522	1.90
2008	18,081	4,845	3,302	2.22

Note: Details regarding the agency's outstanding debt can be found in the notes to the financial statements.

Redevelopment Agency of the City of Santa Barbara
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population ⁽¹⁾	Personal Income (in millions) ⁽²⁾	Per Capita Personal Income ⁽²⁾	June 30 Unemployment Rate ⁽³⁾
1999	91,000	\$11,301	\$28,629	3.4%
2000	92,100	11,890	29,957	4.2%
2001	91,429	12,911	32,297	3.9%
2002	90,696	13,107	32,693	4.9%
2003	90,464	13,059	32,496	5.0%
2004	90,569	13,677	33,942	4.6%
2005	90,518	15,389	38,313	4.1%
2006	89,548	16,231	40,486	4.0%
2007	89,456	16,968	42,385	4.2%
2008	90,305	18,642	46,120	5.1%

Notes:

(2) (3) Data shown is for the metropolitan statistical area of Santa Barbara-Santa Maria.

Sources:

(1) California Department of Finance, Demographic Research Unit

(2) U.S. Department of Commerce, Bureau of Economic Analysis

(3) California Employment Development Department

Redevelopment Agency of the City of Santa Barbara
Principal Employers
Ten Largest Employers - South Santa Barbara County
Current Year and Nine Years Ago

Employer	As of June 30, 2008		As of June 30, 1999	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
University of California, Santa Barbara	9,723	17.68%	8,912	17.44%
County of Santa Barbara	4,269	7.76%	4,484	8.77%
Santa Barbara Cottage Hospital	2,762	5.02%	1,818	3.56%
Santa Barbara City Community College	2,157	3.92%	1,500	2.94%
Santa Barbara School District Admin.	1,618	2.94%	1,645	3.22%
Raytheon/ E-Systems	1,613	2.93%	800	1.57%
Sansum Medical Foundation Clinic	1,100	2.00%	943	1.85%
City of Santa Barbara	1,084	1.97%	1,030	2.02%
US Postal Service	830	1.51%	1,085	2.12%
Santa Barbara Bank & Trust	775	1.41%	1,100	2.15%
Ten largest companies or organizations	25,931	47.15%	23,317	45.63%

Source: Santa Barbara Chamber of Commerce

**Redevelopment Agency of the City of Santa Barbara
Full-time Equivalent Employees by Function
Last Ten Fiscal Years**

None

Redevelopment Agency of the City of Santa Barbara
Operating Indicators by Function
Last Three Fiscal Years

<u>Function</u>	<u>Fiscal Year 2006</u>		<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
General government						
Number and amount of grants issued to local nonprofit agencies	4	\$381,072	9	\$623,024	9	\$971,104
Housing						
Number and amount of loans or grants issued to nonprofit housing developers for construction of low income rental units	3	\$4,176,703	3	\$4,822,408	1	\$4,880,762
Capital						
Number and amount of grants issued to nonprofit housing developers for construction of low income senior housing or other communtiy construction	1	\$7,054,614	1	\$3,000,000	1	\$60,000

Source: Redevelopment Agency of the City of Santa Barbara

Redevelopment Agency of the City of Santa Barbara
Capital Asset Statistics by Function
Last Three Fiscal Years

<u>Function</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>
General government			
Number of Redevelopment Agency-owned property parcels	49	51	55
Total combined square footage	1,719,748	1,464,052	1,772,583

Source: Redevelopment Agency of the City of Santa Barbara





Compliance and Internal Control Section

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
of the Redevelopment Agency of the City of Santa Barbara
Santa Barbara, California

We have audited the basic financial statements of the Redevelopment Agency of the City of Santa Barbara (Agency), a component unit of the City of Santa Barbara, California (City) as of and for the year ended June 30, 2008 and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's basic financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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of the Redevelopment Agency of the City of Santa Barbara
Santa Barbara, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Agency Board, management, and the California State Controller's office. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Irvine, California
November 24, 2008



Annual Program Report/ Work Program

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2008
(NOT COVERED IN AUDITOR’S REPORT)

INTRODUCTION

This report, covering Fiscal Year ending June 30, 2008, was prepared with the most recent guidelines issued by the California Department of Housing and Community Development. This report includes a general narrative that describes the Agency's activities during Fiscal Year 2008.

CENTRAL CITY REDEVELOPMENT PROJECT AREA

FIRE STATION #1 RENOVATION (2003A BOND)

Fire Station #1 is located at 121 West Carrillo Street in the downtown area of Santa Barbara. Project construction began in June 2008 and is scheduled to be complete by June 2009. Fire Station #1 was determined to be structurally and functionally inadequate, undersized for the current needs of the department, containing dilapidated building systems, and not current with certain Building Code or Americans with Disabilities Act (ADA) requirements. The remodel will include a thorough renovation of the interior of the fire station including a seismic retrofit, an extensive remodel of the second floor crew’s quarters, partial remodel of the first floor office area, and replacement of all gas, water, sewer and electrical services. Highlights of the Project include an emergency generator, structural caissons and steel moment frame connection modifications, concrete shear walls, tile roofing, LEED certified building materials, elevator, windows, kitchen, ADA-compliant restrooms, HVAC (heating, ventilating and air conditioning), hazardous material abatement, electrical, plumbing, and temporary trailer accommodations.

The Fire Station No. 1 Remodel Project was included in the Redevelopment Agency’s 2003 Tax Allocation Bond (2003 TAB) issuance at a funding level of \$3.3 million. When a Feasibility Study indicated a total project cost of \$8.5 million, the project's scope was reduced to focus on the structural adequacy and living conditions in Fire Station #1 and to reduce the funding gap. An additional \$1 million from the 2003 TAB fund was appropriated in the Redevelopment Agency’s Fiscal Year 2007 budget. On July 24, 2007, Council and the RDA Board received a status report authorized by the Public Works Director to execute a contract for final design, and approved a funding strategy that included an additional appropriation of \$1.26 million from RDA’s Project Contingency Account. Another \$1,075,614 was appropriated at the time of the awarding of the construction contracts, bringing the total allocation to \$6.7 million.

At the April 22, 2008 Council and Redevelopment Agency meeting, McGillivray Construction, Incorporated was awarded the construction contract in their low bid amount of \$4,070,559. Kruger Bensen Ziemer Architects, Incorporated were awarded the construction support contract in the amount of \$200,800 with Leadership in Energy and Environmental Design (LEED) providing administrative services. AG Mechanical, Incorporated (AG Mechanical), was award a contract to provide Enhanced LEED Commissioning in the amount of \$72,800. The Enhanced LEED Commissioning is an independent third party review of the LEED process to ensure the project objectives meet the goals of the United States Green Building Council. A purchase order for materials testing and special inspection services was issued to Pacific Materials in the amount of \$33,100.

Due to the construction, it has been necessary for all 24 non-shift personnel in the various divisions to move to another location until project completion. An office building nearby at 925 De La Vina Street was leased for approximately \$19,000 per month.

CARRILLO-CHAPALA MIXED USE PROJECT (2003A BOND)

The Agency and the Metropolitan Transit District have been working to develop property on the 1000 block of Chapala Street. The project site covers more than half of an entire City block and is composed of the 164-space City Parking Lot #3 and the Metropolitan Transit District (MTD) Transit Center. The intersection of Carrillo and Chapala Streets has seen major improvements in recent years with the construction of a four-star hotel and the Ralph’s Supermarket. The property owners have identified an opportunity to consider a joint mixed-use redevelopment project on the property. A Downtown Transit Village is envisioned for this prime gateway site incorporating public and private parking, a mix of housing, a new MTD transit center, and various commercial uses. A Request for Qualifications was sent out and 3 firms were selected to move into the RFP process for the site. Prior to entering into the RFP process, the Agency and MTD are working on a Memorandum of Understanding (MOU) for the development of the site. Once that MOU is approved, the RFP process will commence. The Agency has allocated \$2,000,000 towards this effort.

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CHAPALA STREET INTERSECTIONS (CAPITAL FUND AND 2001A BOND)

On December 14, 2004, the City Council adopted the Chapala Street Streetscape Design Guidelines (Guidelines) which apply to new construction projects on Chapala Street between Carrillo Street and the 101 Freeway. These Guidelines assist developers, merchants, City staff and various design boards in improving street frontages along this section of Chapala Street. Two major development projects under construction on Chapala Street received approvals prior to the adoption of the Guidelines. Understanding the benefit of the Guidelines, these development projects voluntarily agreed to comply with the Guidelines. The development projects include the Chapala One project (401 Chapala) and the Paseo Chapala project (721 Chapala). These developments were required to improve portions of the Chapala intersections at De La Guerra and Gutierrez Streets, not the entire intersections.

In order to significantly enhance the safety, functionality and aesthetics of the intersections at both De La Guerra and Gutierrez Streets, the Agency funded the Chapala Street Improvement Project. The project consisted of sidewalk improvements, including bulbouts, at these two intersections. In addition to the ADA accessible ramps, the bulbouts enhance pedestrian mobility and safety by reducing crosswalk distances at the intersections. The crosswalks, leading from the bulbouts, were constructed of attractive brick pavers in a herringbone pattern. In addition, landscape improvements including trees, ground cover and minor shrubs were included consistent with the Guidelines. Construction was coordinated with the State Street Sidewalk Improvement Project in order to reduce congestion downtown. The project was completed in early FY 2008.

WEST DOWNTOWN IMPROVEMENT PROGRAM (2003A BOND)

The West Downtown area is that portion of the Central City Redevelopment Project area bordered by Carrillo Street on the north, Highway 101 on the west and south, and Chapala Street on the east. In November 2002, the RDA held two widely noticed public meetings that included about 40 participants from the community. The purpose of the meetings was to present and solicit suggestions for capital improvements that would improve the West Downtown neighborhood and to get feedback and a sense of priority, including improvements to the two primary pedestrian corridors of Ortega Street and Anapamu Street. A report summarizing these suggestions was forwarded to the Redevelopment Agency Board and will be used as a reference for future improvements to the area.

The project scope was developed by the City’s Transportation Planning Division with a primary focus on the Anapamu Street and Ortega Street pedestrian corridor. The firm of Conceptual Motion was selected in April 2005 to provide final design services. Since early 2008 the City’s Engineering Division has worked with the Conceptual Motion Company to develop a final design. The scope of work will include landscape design that creates a consistent theme and walkable corridors between the Westside and downtown. The top priorities of the project include pedestrian-oriented street lighting, sidewalk improvements including bulbouts at intersections and landscaping. The Agency has allocated \$3.25 million from its 2003A bond proceeds for this program. Construction should begin in early 2009 and last approximately 5 months.

WESTSIDE CENTER PARK IMPROVEMENTS (2003A BOND)

The Westside Park, located adjacent to the 101 freeway, is an element of the West Downtown Improvement Program. Improvements to this heavily used park will include new landscaping, fencing, and a re-orientation of the park facilities to better serve the local neighborhood. This project is funded at a level of \$250,000 as part of the West Downtown Improvement Program and will begin construction in spring 2009.

PLAZA VERA CRUZ (2003A BOND)

Plaza Vera Cruz became the City’s first playground in 1908. In 2000, the Agency Board appropriated \$78,000 to complete basic upgrades to the park. The project scope was expanded January 2005 to include infrastructure improvements, and was funded at a level of \$340,000. Features of the new design include ADA-compliant pathways and enhancements to park lighting, landscaping, seating and other amenities. Construction for this project began in April 2008 and was completed in August 2008.

CARRILLO RECREATION CENTER (2001A & 2003A BOND)

Funding of \$3,500,000 for the Carrillo Recreation Center Rehabilitation Project was appropriated as part of the Redevelopment Agency’s 2003 Tax Allocation Bond Issuance. This three-story 20,000 sq. ft. structure was built

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in 1913 and needs to be brought up to current performance standards, including seismic upgrades, Americans with Disabilities Act (ADA) compliance, and extending the useful life of the building’s core systems. In March 2006, the City contracted with VFA, Incorporated to conduct a facilities condition assessment to determine the overall building condition and the condition of the primary systems, to identify the building’s requirements and needs, and provide recommendations for the requirements. This report will be used as a tool for the architect to efficiently design the retrofit of the building. This is an historic structure that poses many challenges. The mechanical and electrical systems are old, it is seismically inadequate, and accessibility is difficult in many areas of the building. In February 2007, the Council approved a design services contract with Kruger Bensen Ziemer Architects, Incorporated (KBZ) in the amount of \$261,985 for design of the renovation of the Center. The services to be provided by KBZ include the validation and prioritization of findings identified in the VFA facilities assessment, seismic analysis, project design oversight, project coordination, obtaining City approvals, cost estimating, and bidding phase services. The contract also includes promoting green building opportunities while preserving the historic integrity and meeting current codes on a limited budget. HLC has approved a focused Historic Structures Letter Report and given the project preliminary approval. Construction is expected to begin in May 2009 and is estimated to take 9 months. Construction will be phased to minimize the time that the ballroom will be closed.

HISTORIC RAILCAR (2003A BOND)

In 2001, Redevelopment Agency staff was contacted by representatives from the California Department of Transportation (CalTrans) Rail Program regarding possible Federal Transportation Enhancement Activities (TEA) funding for improvements at the Historic Rail Spur at the Santa Barbara Railroad Station. CalTrans indicated that up to \$350,000 could be provided (with an Agency match of up to \$46,000) for a historic preservation project. It was determined that installation of a vintage railroad car for static display at the rail spur would likely fit into the funding criteria and might be favorably considered for funding through their TEA Awards program. The Agency Board allocated \$46,000 for this project at the time the 2003A Bond was issued. The State approved a \$350,000 reimbursable grant for the project in 2005. In 2006, a 1914 Pullman built heavyweight coach, rebuilt circa 1929 as the Southern Pacific Business Car Santa Barbara, was found to be in the possession of Fillmore & Western Railway Company in Fillmore, California. Given the railcar’s name and location, it is speculated that the car was likely to have traveled through Santa Barbara. Fillmore & Western will sell, restore, transport the railcar to the Santa Barbara Railroad Station and install the railcar on the existing historic rail spur. Since the railcar will be on static display with no entry allowed, the interior will undergo only moderate renovation. Total project costs are estimated to be \$324,500. However, with State reimbursements, the net cost to the City will be a maximum of \$41,808. Refurbishment of the car has been on-going for twelve months and installation is anticipated for the first calendar quarter of 2009.

MISSION CREEK FLOOD CONTROL ENHANCEMENT (2003A BOND)

The Redevelopment Agency appropriated \$2,500,000 at the time of the issuance of the 2003A bond for this enhancement project. These funds augment the Army Corps of Engineers-funded flood control project for Mission Creek which will widen and rehabilitate the creek between Canon Perdido and Cabrillo Boulevard. Agency funds are designated to be used for enhancement to benefit the Project Area. Enhancements could include acquisition of property for creekside open space and pocket parks, landscaping, aesthetic treatments of historic bridges and pedestrian paths. Two properties at Bath and Ortega Streets adjacent to the creek were identified for acquisition and have been purchased by the Redevelopment Agency for a total of \$1,120,000. Following completion of the Mission Creek Flood Control Project, the properties will be developed as a pocket park for the West Downtown neighborhood and also serve as creek open space.

THOMPSON AVENUE IMPROVEMENTS (2001A BOND)

Funds were appropriated for improvements to the highly visible plaza area adjacent to the Lyons Moving and Storage Building in downtown. Improvements included sidewalk repair and replacement, landscaping, trash enclosure expansion, paseo improvements and general street improvements. The street and sidewalk are constructed of a colored concrete that provides a pedestrian-friendly environment that has the entire layout on one level acting more like a pedestrian thoroughfare as opposed to a City street. The project was recently completed and has been an enormous improvement to the area.

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SPENCER ADAMS PARKING LOT IMPROVEMENTS (2003A BOND)

This project will bring the parking facilities that serve the heavily-used Spencer Adams Lawn Bowls up to City standards. Proposed improvements include additional landscaping and pedestrian-oriented improvements that will benefit the users of the Lawn Bowls, Club, the Louise Lowry Davis Senior Center, and the public. The project is being led by the City’s Parks and Recreation Department and is scheduled to take two months and begin in early 2009.

POLICE DEPARTMENT RENOVATION (CAPITAL FUNDS)

A total of \$343,000 has been appropriated for the design and engineering of various improvements at the Police headquarters. The current headquarters building is in serious need of rehabilitation and renovation. The heating, ventilation and air-conditioning system alone is made up of 10 different systems which result in significant energy loss and high utility bills. The improvements will be focused on the core systems of the building and the locker room areas and will result in significant increases in energy efficiency and utility bill reductions.

CULTURAL ACTIVITIES

PLAZA DE LA GUERRA INFRASTRUCTURE IMPROVEMENTS (2003A BOND)

In 1853, with concern rising for the preservation of open spaces for the use of the general public, the Common Council in the newly formed City of Santa Barbara passed an Ordinance designating Plaza de la Guerra to be a City Square. Historically, Plaza de la Guerra has served as the City’s cultural center. Since 1925, when the City Hall building was removed from the Plaza lawn and construction of the current City Hall building was completed, there have been periodic efforts to redesign and improve the Plaza.

The Santa Barbara Trust for Historic Preservation, with Redevelopment Agency grant funds, produced a book in 2002 entitled "Plaza de la Guerra Reconsidered," which compiles the history and past plans for this prominent downtown plaza. Over the last several years, stakeholders in the Plaza have determined that simple, people-oriented improvements to the infrastructure would complement the surrounding businesses and facilities and promote its use by community organizations. A City Council Steering committee, plus surrounding business owners and City staff, convened and drafted an Infrastructure Design Intent Statement to help guide the improvements: installation of new ADA ramps, replacement or upgrade of benches, trash/recycling receptacles, bike racks, newspaper cabinets, and redesign of the roadway and interior lawn to improve pedestrian safety during large community events.

The design firm of Campbell and Campbell was selected and received Agency approval for their design services contract for \$86,665 in June 2005. Campbell and Campbell have teamed with Penfield and Smith for civil engineering support, John Maloney P.E. for electrical engineering, and Clearview Studios for graphic concepts. The Agency has allocated \$1 million of the 2003A Tax Allocation Bond proceeds toward design and construction. The project remains in the scoping phase of the design process with development of an initial concept expected in late 2008 or early 2009.

COMMUNITY ARTS WORKSHOP (2003A BOND)

In response to the need for rehearsal space, production set construction space, and general performance space for art groups in the community, the Agency Board allocated \$1,000,000 in 2001 to fund a Community Arts Workshop at a to-be-determined site. In 2005, Agency-owned property at 631 Garden Street, the site of the former Community Environmental Council recycling center, was identified as a potential location for such a workshop. The Agency is currently negotiating a long-term lease with Summer Solstice Celebration to manage a future workshop at this location. A local architectural firm, Poirier and David Architects, have produced a preliminary design and in June 2007 were awarded a final design contract for \$95,650. Poirier and David’s preliminary analysis concludes that the proposed improvements, as currently designed, would cost approximately \$1.29 million. This estimate assumes that extensive structural and aesthetic improvements would be made to the buildings, significant site work would be completed including ADA-accessible pathways, new landscaping and irrigation, and installation of mechanically-operated decorative vehicle gates at the two entrances to the property. The project design has been approved by the Historic Landmarks Commission. Plans have been submitted to the Building and Safety Division for review. The Agency continues to assess and address the extent of hazardous

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materials at the site by conducting soil borings and analysis as well as a comprehensive vapor analysis. Construction is expected to begin in 2009.

COMMUNITY CULTURAL GRANTS FOR CAPITAL PROJECTS

GRANADA THEATRE (2001A BOND)

The Granada Theatre has been renovated and expanded to become a first-class performing arts venue and an anchor for the City’s cultural district on upper State Street. The Agency awarded the project \$4.5 million, and an additional \$500,000 in Fiscal Year 2008 in grants, and the community has demonstrated its strong support through donations totaling over \$40 million towards the renovation project. The project added approximately 10,000 square feet to the theatre footprint. Combined with the newly acquired commercial spaces adjacent to the theatre, a significant portion of the new floor area created a large basement level complex, providing an array of new and upgraded public amenities and expanded backstage areas. The audience will notice a return to the theatre’s original design details and décor, expansion of the stage depth and width, 1,600 new seats, and an enlarged orchestra pit. Technical improvements included acoustical refinements, upgrading the theatre’s structure to modern earthquake and life-safety standards, an improved lighting system; a new state-of-the-art box office, computerized stage and sound equipment, and new projection and film audio facilities. The improvements have enabled the Granada Theatre to accommodate large touring companies that will use the venue as a natural stop between Los Angeles and San Francisco. An endowment fund will also allow the SBCPA to make the Granada Theatre available to local arts organizations at affordable levels. The renovation project was completed in March 2008.

EL PRESIDIO NORTHWEST CORNER - FINAL PHASE

The Santa Barbara Trust for Historic Preservation has begun the final phase of the Northwest Corner of the El Presidio Restoration Project. The Agency Board had granted funds for Phase I and II which were comprised of four ADA-compliant unisex public restrooms and the construction of a new two-room adobe Visitor Center and a new ADA-compliant access ramp at the park’s Canon Perdido Street entrance. The Visitor Center provides additional museum space for the interpretation of the Native American, Spanish Mexican, American, Chinese, and Japanese communities of Santa Barbara. The 2007 grant was designated for the reconstruction of two additional adobe rooms, the associated adobe yard walls, and portions of the western and northern defense wall, a portion of which will be represented by a stone inlay across Canon Perdido Street to El Cuartel. The construction contract was award to Channel Coast Construction in December 2007. By March 2008, site work had begun and by April 2008 the adobe walls were raised.

STATE OF THE ART GALLERY

Since the first phase of the State Street Sidewalks Replacement project incorporated art pads for public art display, the Agency has been awarding annual grants and this year awarded \$40,000 for the procurement, installation and deinstallation of art along the main thoroughfare known as the State of the Art Gallery. The County Arts Commission displayed 10 regional sculptors’ works from September through November 2008.

LOBERO THEATRE

In Fiscal Year 2008, the Redevelopment Agency granted \$201,588 for systems improvements at the historic downtown Lobero Theatre. The funds were used to purchase and install a performance quality sound system, to purchase a digital projector for use by the many organizations that rent the theater, and to purchase and install energy efficient LED stage lighting. All of the systems have been installed and the Lobero Theatre Foundation has been reimbursed by the end of the fiscal year.

ARTS MENTORSHIP – PERFORMANCE SPACE RENOVATION

The Redevelopment Agency Board granted the Arts Mentorship Program funds for capital improvements to the community-oriented Arts Alive! complex. A grant of \$69,916 went toward combining two dance small studios into a more expansive rehearsal space that can be more readily rented to various performance groups. Included in this project were the installation of theater/stage lighting, the installation of curtains, and a retractable wall to expand or reduce to space as needed. All of the work was completed by December 2007 and the funds have all been disbursed.

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CENTER STAGE THEATER

The Center Stage Theater provides a professional, affordable, and accessible performing arts venue in downtown Santa Barbara. Center Stage Theater encourages works that celebrate new artists and the cultural diversity of the community. In Fiscal Year 2008, the theater was granted funds to replace major theatrical components including lighting and sound systems, air conditioning units, 3-line phone system and some new office equipment. The equipment was installed early in Fiscal Year 2008 and the air conditioning was installed in time for the summer of 2008. All of the \$56,000 grant funds were disbursed before the end of the fiscal year.

DOWNTOWN ORGANIZATION - 1ST THURSDAY

In February 2007, the Downtown Organization initiated 1st Thursday, a free cultural program funded by the Downtown Organization membership dues with a mission to showcase downtown Santa Barbara as a destination for art, culture, and its historical environment. On the first Thursday evening of every month, the downtown comes alive with gallery openings, street performances, lectures, theatrical previews, concerts, and tours as well as retail and restaurant participation. In the tradition of the City’s and the Downtown Organization’s collaborative effort to spotlight the cultural district, the Agency granted \$25,000 for the 1st Thursday event for Fiscal Year 2008. The funds were used to produce brochures and maps, posters and signage and easels and display materials. All of the funding has been disbursed.

WATERFRONT AREA

EAST CABRILLO BOULEVARD SIDEWALK REPLACEMENT (2001A BOND)

This Agency project replaces existing sidewalks from Stearns Wharf to Milpas Street. Cabrillo Boulevard, considered one of the City’s more scenic routes, is the primary thoroughfare along the City’s beachfront east of State Street and is flanked by tourism-related businesses, hotels and recreational public parks. On weekends, the sidewalk is heavily used by visitors to the Sunday Arts and Crafts show. A Historic Resources Report was prepared at the request of the City’s Historic Landmarks Commission, as there is a Preservation Covenant stemming from the transfer of ownership in 1996 from the California Department of Transportation, stating that the City cannot alter the historic fabric of this district without approval from the State Office of Historic Preservation. The research consultants, Post/Hazeltine, provided a Conceptual Design Guidance Report, which outlined the area’s history and the significance of being designated a State Historic District. Cabrillo Boulevard was the main component in the 1924 Olmsted/Cheney Plan that provided guidance for development of this beachfront recreational area. Improvements for this promenade consist of approximately 5,000 linear feet of new sidewalk, access ramps, curbs and gutters, driveways, landscaping improvements, concrete benches, trash receptacles, and decorative ironwork on the light poles at East Cabrillo Boulevard. In July 2005, following a Request for Proposals process, the engineering firm of Penfield and Smith was awarded the preliminary design contract for \$73,282. The Project received Final Approval on September 19, 2007 from the Historic Landmarks Commission. At the March 25, 2008 Council and Agency Board meeting, Lash Construction was awarded the construction contract with the low bid amount of \$1,071,523. Penfield & Smith was awarded a construction support services contract in the amount of \$15,500. Pacific Materials, Inc. was issued a purchase order in the amount of \$6,000 for material testing services. The project began in April and was completed by the end of August. The Agency allocated \$3 million for the project and anticipates the remaining funds will be reallocated to other Agency projects.

WEST BEACH PEDESTRIAN IMPROVEMENTS (2003A BOND)

The goal of the West Beach Pedestrian Improvement Project is to enhance the pedestrian linkage between Stearns Wharf and the Harbor. In March 2006, the Agency approved the conceptual design of Phase I of the project. Phase I and II were combined and consist of a number of capital improvements from Stearns Wharf to Los Baños and Marina 4. These improvements include: construction of enhanced pedestrian crossings and sidewalk extensions along Cabrillo Boulevard at Castillo Street, Bath Street, Ambassador Park and Chapala Street; at these same intersections, design and construction of pedestrian plazas along the beach-side of Cabrillo Boulevard with enhanced paving, new landscaping and an art and storytelling component that conveys the special character of the Waterfront area; replacement of the existing sidewalk on the south-side of Cabrillo Boulevard from the wharf to Castillo Street; an expanded walkway and new lighting between Los Baños and the wading pool; and improved signage to assist wayfinding and safety. The current design has been endorsed by the

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Waterfront Department, the core stakeholder groups, and, on June 21, 2007, the Harbor Commission. The project was reviewed by the HLC on July 11, 2007 and received favorable comments on the conceptual design. The original funding amount was \$2 million. Due to the project’s modification of scope and subsequent redesign, the Agency Board entered into a new agreement with Conceptual Motion for preliminary and final design services for the integrated, single phase, project. Additional funding has been allocated, bringing the total to \$3,250,000.

WATERFRONT PROPERTY – 125 CACIQUE STREET (2003A BOND)

In 2001, the Redevelopment Agency purchased property at 125 Cacique Street in the waterfront area comprised of 4 parcels totaling 2.404 acres. The Agency has evaluated the site for its best use. URS Corporation provided an update of the biological resources. MacFarlane Archaeology Associates have provided a Phase 1 archaeological resource survey. The firm, Poirier and David Architects, prepared a Land Use Feasibility Analysis including identifying all the constraints that effect the development of this property. From that report, the City was able to establish criteria for development of the site. A Request for Proposals was released on June 18, 2008. Proposals were due on August 21, 2008.

SANTA BARBARA MARITIME MUSEUM

The Agency funded a matching grant of \$500,000 to the Santa Barbara Maritime Museum for the design, construction, and implementation of four interactive educational exhibits at the Maritime Museum (Survival at Sea, Navigation and Piloting, Surfing, and Channel Islands). The Santa Barbara Maritime Museum was able to verify matching funds in December 2003. Progress has been made on the exhibits and, to date, the museum has completed the Survival at Sea exhibit which includes Safety at Sea and Navigation and Piloting exhibits and the exhibit was opened in November 2005. The Surfing exhibit is in the first stages of construction and is expected to be complete and open to the public in the fall of 2008. To date, the Agency has reimbursed the Maritime Museum \$415,842.05.

OTHER ACTIVITIES

***INTEGRATED PEST MANAGEMENT – SUSTAINABLE PARK IMPROVEMENTS
(2001A AND 2003A BONDS)***

In February 2006, the City Council approved the Pesticide Hazard and Exposure Reduction (PHAER) zone model for the City of Santa Barbara. The Redevelopment Agency budgeted \$156,000 in FY 2007 for the Parks and Recreation Department for proposed improvements that will significantly expedite these improvements in the Redevelopment Project Area and facilitate Parks and Recreation’s efforts to maintain City Parks and City properties in a “green” manner. Approximately \$136,000 is earmarked for integrated pest management–sustainable improvements and \$20,000 has been designated for signage geared towards educating the public about the PHAER zone model and the City’s green and sustainable efforts. To date, approximately \$55,000 has been expended towards these improvements.

TRANSPORTATION MANAGEMENT PROGRAM (GENERAL)

The Agency contributed \$300,000 this fiscal year for the operation of the City's Transportation Management Program (TMP). The TMP is a comprehensive traffic and parking management program that combines disincentives for single occupant automobile use with incentives for alternative modes of transportation. This program constitutes required mitigation for traffic impacts from private development and Agency downtown revitalization activities. Two commuter parking lots (Cota/Santa Barbara Streets and Carrillo/Castillo Streets) allow employees in the area to park on the fringes of the central business district and ride shuttle buses to workplaces. The annual contribution is used to underwrite the downtown and cross-town shuttle buses.

AGENCY’S AFFORDABLE HOUSING PROGRAM

512-518 BATH STREET (BRADLEY PROPERTY)

In June, 2008, the Agency provided the City’s Housing Authority with a loan of \$4,800,000 for the acquisition of property at 512-518 Bath Street. The Housing Authority is land-banking the site for future affordable housing development. The Housing Authority will operate an existing 10-unit residential structure as affordable rental

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housing until plans for a new project are complete. The Housing Authority is considering a large supportive housing project for the homeless and downtown workers (approximately 60 units). Since the rear of the property abuts Mission Creek, the project would include a creek restoration component. Construction is expected to start in 2010.

617 GARDEN STREET (BUILDING HOPE)

The Mental Health Association in Santa Barbara County (MHA) is in the middle of construction of a large, mixed-use project directly across the street from the Agency’s Garden Street offices. The project will provide 50 units of affordable rental housing for a combination of low income MHA clients and downtown workers and one on-site manager’s unit. The project also features administrative office space and program space for MHA and office space for government or non-profit use. The Agency contributed land (the former parking lot for its employees) to the project and has disbursed the \$5.1 million it committed to the project, in addition to the \$385,000 in state HELP funds the Agency spent for predevelopment. The residential portion of the project is expected to be completed by the end of calendar year 2008.

HOUSING REHABILITATION LOAN PROGRAM (HRLP)

Two grants were provided to low income multifamily rental projects under HRLP:

One was a \$95,000 grant that was provided to the Victoria Hotel, a 28 -unit single room occupancy hotel for low and very low income individuals, many of whom were recently homeless. The grant enabled the owner/manager, Peoples’ Self Help Housing Corporation, to make needed security improvements, improve electrical service and replace deteriorated drain lines.

The other was an \$8,171 grant to Sanctuary House Psychiatric to cover architectural services for planned rehabilitation of their Hollister Apartments – an 8-unit residential structure that houses their low income clients. Sanctuary House is expected to request \$250,000 to cover the extensive rehabilitation they have planned.

4200 CALLE REAL (ST. VINCENT’S GARDENS & VILLA CARIDAD)

Mercy Housing California, a State-wide nonprofit housing developer, recently completed two low income rental housing projects on the site of the former St. Vincent’s School, a 19-acre site recently annexed by the City near Highway 154 and Calle Real. One is a 75-unit project for families (St Vincent’s Gardens), and the other is a 95-unit project for seniors (Villa Caridad). The Agency spent a total of \$17.4 million on the two projects, and the County of Santa Barbara contributed \$4.4 million to the family project. Other funding includes HUD Section 202 funds for the senior project, federal low income housing tax credits for the family project, and funds contributed by the Daughters of Charity.

The two projects represent the largest affordable housing site ever developed in Santa Barbara County and demonstrate how affordable housing can be produced on a regional inter-governmental basis. Both projects are now occupied. Off-site public improvements (new bus shelter, traffic signal, and road and sidewalk improvements) are still under construction.

21 EAST ANAPAMU STREET (CASAS LAS GRANADAS)

Construction has been completed, and this 12-unit project for downtown workers is now occupied. The Agency selected Peoples’ Self-Help Housing Corporation (Peoples) through a Request for Proposals process to develop this affordable housing project on Agency-owned land directly adjacent to the new Granada Garage parking structure. Peoples’ is a large nonprofit housing organization based in San Luis Obispo (with its Santa Barbara office located on the ground floor of the nearby Victoria Hotel – a single-room-occupancy hotel Peoples preserved for the homeless).

For Casas las Granadas, the Agency leased the site to Peoples at a nominal rate and provided a \$60,000 predevelopment grant. Agency staff secured City HOME funds for the project in the form of a \$90,000 predevelopment loan and \$1,581,000 permanent loan. The Agency also paid for extensive contaminated soil removal on site and is currently working on numerous physical improvements to adjacent public open space and walkways, which are expected to be completed before the end of the calendar year.

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618 SAN PASCUAL (HABITAT FOR HUMANITY)

Habitat is in the process of predevelopment of a new project – 4 new low income ownership units – using Habitat’s well-tested formula that includes donated materials and technical assistance from the local development community, volunteer labor, future homeowners’ labor (sweat equity), and grant funds and donations from a wide range of foundations and local churches. The Agency provided \$400,000 in state HELP funds for acquisition, and Agency staff secured \$660,000 in City HOME funds for construction. Work is expected to start in 2009.

416-424 COTA STREET / 517 OLIVE STREET (ARTISAN COURT)

The Agency provided the City’s Housing Authority with a loan of \$2,000,000 for the acquisition of property at 416-424 East Cota Street and 517 Olive Street that is currently occupied by Haagen Printing. The Housing Authority is land-banking the site for future affordable housing development. The site is relatively large (40,000 sq ft) and is improved with two industrial buildings (totaling 20,850 square feet). The completion of predevelopment is expected to coincide with termination of two commercial leases on the property. The property is zoned Commercial Manufacturing (CM) which allows for residential development to R-4 standards under the City’s pyramid zoning.

The Housing Authority has selected an architect and preliminary plans have been developed for a large supportive housing project of 55 units for a combination of formerly homeless people and low income downtown workers. Additional Agency funds may be needed, and construction is expected to start in 2009.

421-425 EAST COTA STREET (MOM’S PROPERTY)

In Fiscal Year 2000, the Agency provided Transition House with a \$320,000 loan for the acquisition of 421-425 E. Cota Street, which consists of two mixed-use buildings located to the rear of their homeless shelter on East Ortega Street. In addition, Transition House raised over \$1 million in private donations for this acquisition as part of major effort to relocate and expand its office and program space, expand its shelter space, and create new affordable housing for its clientele. The building at 425 East Cota Street has nine residential units over ground floor commercial space. Transition House placed their clients in the residential units as vacancies arose and moved its office and program space from the shelter into the ground floor commercial space.

The building at 421 East Cota Street (it once housed the old Mom’s restaurant) has structural issues that limit development options. Transition House plans to demolish the structure and build 8 new affordable housing units over space dedicated to child care. The new construction project is in predevelopment, with construction expected to start in 2010.

3965 VIA LUCERO (HABITAT FOR HUMANITY)

Habitat for Humanity (Habitat) completed 3 new low income ownership units using Habitat’s standard formula of grants, donated materials, volunteer labor, and future homeowners’ labor (sweat equity). Agency staff secured City HOME funds for site acquisition and predevelopment in the amount of \$240,000. Construction is complete; ownership has transferred from Habitat to the sweat equity households; and the new homes are fully occupied.

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INTRODUCTION

This report, covering the projected program year for the fiscal year ending June 30, 2009, was prepared in accordance with the most recent guidelines of the California Department of Housing and Community Development. The report includes a description of the work program for the 2009 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2009, including appropriations from prior year balances.

FISCAL YEAR 2009 WORK PROGRAM

HOUSING PROGRAMS FUND PROJECTS

Housing Revolving Fund: \$500,000

Funds available for the development of affordable housing projects, including land-banking, site improvements, interim financing, rehabilitation, and new construction of multi- or single-family properties per State statute.

REDEVELOPMENT AGENCY GENERAL FUND PROJECTS

Funds have been appropriated in the Agency's General Fund (Fund 111) for the following projects in the approximate amounts shown (amounts include encumbered funds):

Property Management: \$202,000

Miscellaneous improvements to Agency-owned properties and property management obligations.

Transportation Management Program Shuttle Bus Contract: \$300,000

Funding contribution to shuttle program that mitigates traffic and parking impacts resulting from Agency development projects.

Hazardous Materials: \$138,740

Funds to investigate, characterize and clean up toxic contaminants on Agency-owned properties. Funds are being used to mitigate groundwater contamination under Agency-owned Parking Lot 12 and Agency property at 631 Garden Street.

Downtown Organization Cultural Promotions 2009: \$74,100

Funds used to reimburse the Downtown Organizations' efforts to promote the historic/cultural downtown area and maintain the economic and cultural vibrancy of the project area.

Appropriated Operating Reserves: \$80,000

REDEVELOPMENT CAPITAL FUND PROJECTS

Integrated Pest Management – Sustainable Park Improvements: \$11,304

Funds for the Parks and Recreation Department to use for sustainable improvements that reduce the use of hazardous materials in City parks within the Central City Redevelopment Project area and for signage towards educating the public about this program.

Police Department Locker Room Upgrade: \$343,660

Funds for additional design services of the upgrade of the Police Department's locker room and electrical improvements, including a backup generator and a new HVAC system for the entire building for a total estimated cost of \$5,236,099.

Opportunity Property Acquisition Fund: \$366,000

Funds for opportunity purchases of property in the Project Area. Properties would be used for public benefit development consistent with the Redevelopment Plan.

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Redevelopment Project Contingency Account: \$5,095,405

Funds to be used to cover project cost overruns due to increases in construction costs during the period between project appropriation and project construction. The Agency Board recently allocated \$343,660 from this account to fund for design services for the Police Department’s locker room upgrade project. Also, the \$1,410,000 State ERAF obligation will be appropriated from this account.

Housing Fund Contingency Account: \$1,548,455

Additional funds to be used for purpose of funding new, as yet unspecified, projects or for making up shortfalls in funding for approved but not constructed projects.

Soil Remediation – Casas las Granadas \$2,345

The Site Remediation Plan called for removal and proper disposal of all contaminated soils estimated at 985 cubic yards. Funds were appropriated in FY 2007 to Peoples’ Self-Help Housing Corporation to remove the contaminated soil. The above figure was the remainder from the original contract amount and was held over to assist with additional hazardous material issues if they were encountered.

Coffee Cat Pedestrian Improvements \$147,297

Funds allocated in FY 2007 for reimbursement to Peoples’ Self-Help Housing Corporation for site improvements adjacent to the Casas Las Granadas affordable housing project including the relocation and replacement of nearby air conditioning equipment serving the building located at 1201 Anacapa Street and improvements to the adjacent open space.

Fire Station #1 \$1,189,900

Although the renovation project was scaled back to principally address the structural inadequacies, there remained an initial funding gap of \$1,260,000 which was covered by an appropriation from the Redevelopment Project Contingency Fund in early in FY 2008.

SERIES 2001A TAX ALLOCATION BOND CAPITAL PROJECTS

East Cabrillo Boulevard Sidewalks \$2,154,774

This Agency project replaces the existing sidewalks from Stearns Wharf to Milpas Street. Historic Landmarks Committee gave preliminary approval March 2007. Construction occurred during the summer months of 2008 and was completed in August.

Thompson Avenue Improvements: \$200,000

Funds for improvements to be made in conjunction with improvements being made by Brooks Institute at the Lyons Building: sidewalk repair and replacement, landscaping, trash enclosure expansion, paseo improvements and general street improvements. The project was completed at the end of FY 2008. As described in the cost sharing agreement, these funds will be paid to Brooks Institute in FY 2009.

SERIES 2003A TAX ALLOCATION BONDS CAPITAL PROJECTS

Integrated Pest Management – Sustainable Park Improvements: \$101,000

Funds for the Parks and Recreation Department to use for sustainable improvements that reduce the use of hazardous materials in City parks within the Central City Redevelopment Project area and for signage towards educating the public about this program. Parks components completed to date include: Cabrillo Ball Field, Los Baños Pool Area, Spencer Adams Lawn Bowl, West Beach and Garden-Cabrillo parking lots.

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Mission Creek Flood Control Enhancement: \$1,273,422

Funds to augment the Army Corps of Engineers-funded flood control project for Mission Creek. Enhancements could include pocket parks, landscaping, aesthetic treatment of historic bridges and pedestrian paths. Two properties have been acquired for a future pocket park.

Fire Station #1 Remodel: \$4,091,114

Funding for a thorough renovation of the interior of Fire Station #1. Renovation to include: renovate and separate dormitory and bathrooms, seismic retrofit, upgrade windows, doors, lighting, security, and overall energy-efficiency of the building. Architect is developing a project master plan. The Agency provided additional funding of \$1 million in FY 2007 budget and another \$1.26 million in FY 2008.

Opportunity Property Acquisition Fund: \$1,625,000

Funds for opportunity purchases of property in the Project Area to be used for public-benefit development consistent with the Redevelopment Plan.

West Beach Pedestrian Improvements: \$2,848,769

Funds for sidewalk and landscape improvements from the Wharf to the Santa Barbara Harbor. Phase I Design is proceeding. The Agency provided additional funding of \$1.25 million in FY 2007 budget.

Carrillo/Chapala Mixed-Use Project: \$1,882,256

Funding towards a Downtown Mixed-Use Project in a prime gateway site, incorporating public and private parking, housing, a new MTD transit center, and various commercial uses. A feasibility study has been completed. A Request for Proposals process was completed midway during FY 2008.

Plaza de la Guerra Infrastructure: \$884,073

Funds for infrastructure improvements: new ADA ramps, replacement/upgrade of benches, trash/recycling receptacles, bike racks, newspaper racks, roadway redesign to function with lawn area in a safer manner.

Visitor Center Condominium Purchase: \$500,000

Funds for the purchase of Entrada Project condominium space prior to development agreement. Visitor Center to be leased by the Chamber of Commerce and to include public restrooms.

Lower State Street Sidewalks: \$250,000

Funds for improvements to the 00 block of State Street to complement the Entrada Project development sidewalk improvements.

State Street Underpass Improvements: \$106,901

Funds being used for lighting improvements and graffiti prevention in the State Street underpass of Highway 101.

Anapamu Open Space Enhancement: \$187,959

The open space area fronting Anapamu Street adjacent to the Casas Las Granadas Affordable Housing Project is being developed with pedestrian improvements and landscaping.

Waterfront Property Development: \$1,467,000

These funds are to be used to fund future development of the Agency-owned property at 125 Calle Cesar Chavez. Agency staff contract for the design services of Poirier and

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David Architects to develop a conceptual analysis of site development potential. A complete survey has been completed by the City survey crew. A Phase I archeological report has been submitted. A Request for Proposal process will begin early in FY 2009.

Artist Workspace:

\$696,643

A long-term lease for a Community Arts Workshop at 631 Garden Street is being negotiated with Summer Solstice. In anticipation of successful lease negotiations, the design of the physical improvements is being developed under a final design contract with Poirier and David Architects. The project received Conceptual Design approval by the Historic Landmarks Committee in April 2007. A cost sharing agreement is being negotiated with Summer Solstice.

Plaza Vera Cruz:

\$65,970

Funds for Parks and Recreation are being used to renovate a downtown City park with vehicle and handicap accessibility improvements. Construction is underway and the project is expected to be completed early in FY 2009.

Historic Railroad Car Acquisition:

\$270,887

Funds for the acquisition of a vintage rail car for static display at the Railroad Depot on an historic rail spur adjacent to the Moreton Bay fig tree. A rail car has been located and a purchase and refurbishment contract has been approved. Additional funds have been allocated for the process and the Agency will be reimbursed for 81% through a CalTrans TEA grant. The renovation of the rail car has begun and the installation process is being developed by City staff.

West Downtown Improvements:

\$2,974,294

Funding for a series of capital improvements, including two primary projects: the Anapamu and Ortega corridor improvements. Proposed corridor improvements include upgrading pedestrian amenities such as sidewalk replacement where necessary (uplifted sidewalk sections due to tree roots, cracked and degraded sidewalk sections that cause trip hazards. etc.), general landscaping improvements where appropriate, the possibility of additional pedestrian-oriented lighting where appropriate and improvements to the Westside Center park are being reviewed. Conceptual Motion was awarded the final design contract.

Westside Community Center Park Renovation:

\$247,967

Funds were appropriated from the West Downtown Improvement Program specifically for the use by the Parks Department to make improvements to area around the Westside Community Center to promote neighborhood use.

Spencer Adams Parking Lot and Site Improvements:

\$166,873

Funds to assist the Park and Recreation Department with various parking lot and site improvements at the lawn bowling center adjacent to the Louise Lowry Davis Center.

Carrillo Recreation Center Restoration:

\$2,848,769

Funding for interior and exterior renovation of the historic Carrillo Recreation center. Upgrades to electrical, plumbing, structural and numerous aesthetic improvements. Facility assessment has been completed. The architectural firm of Kruger Bensen Ziemer has been contracted for the final design.

Chase Palm Park Wisteria Arbor:

\$833,000

Funds allocated in the Fiscal Year 1999-2000 budget for the construction of a Wisteria Arbor at Chase Palm Park. Construction awaits the development of Fess Parker's Waterfront Hotel.

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COMMUNITY GRANTS

Old City College Site Rehabilitation: ***\$1,500,000***

Grant funds to the Santa Barbara Trust for Historic Preservation for use in rehabilitation of the Alhecama Theatre to be leased to the Ensemble Theater and the rehabilitation of onsite buildings for use by the Trust for administrative offices.

Santa Barbara Channels Media Arts Center ***\$1,000,000***

Funds awarded in FY 2007 to Santa Barbara Channels to go towards the purchase of a Media Arts building for use two local television stations, Channels 17 and 21, and other non-profit arts organizations. The building would house two television studios, editing bays, office and meeting rooms, and two multi-use studio spaces and another office. The property has not been identified.

Sustainable Arts Study - 2008 ***\$50,000***

Grant funds for research into a system for providing sustainable funding for the arts community targeted at at-risk youth. The study will be a collaborative effort with the University of California Institute for Research.

State of the Art Gallery - 2008 ***\$40,000***

Continued funding of the installation of public art along the main downtown thoroughfare. Regional artists would be featured.

Downtown Organization 1st Thursday - 2008 ***\$5,692***

Funds for maps and brochures promoting the free public downtown evening events of gallery openings, lectures, concerts and street performances on the 1st Thursday of every month.

Santa Barbara Courthouse Legacy Foundation - 2008 ***\$25,000***

Funds to be used in the restoration of the Spirit of the Ocean fountain on the façade of the historic downtown County Courthouse. The Courthouse has a major presence in the downtown drawing international media and tourists alike.

Santa Barbara Hispanic Chamber of Commerce- 2008 ***\$3,600***

Funds for brochures for Business Trade Expo that will promote the stability and growth of small and medium locally-owned businesses.