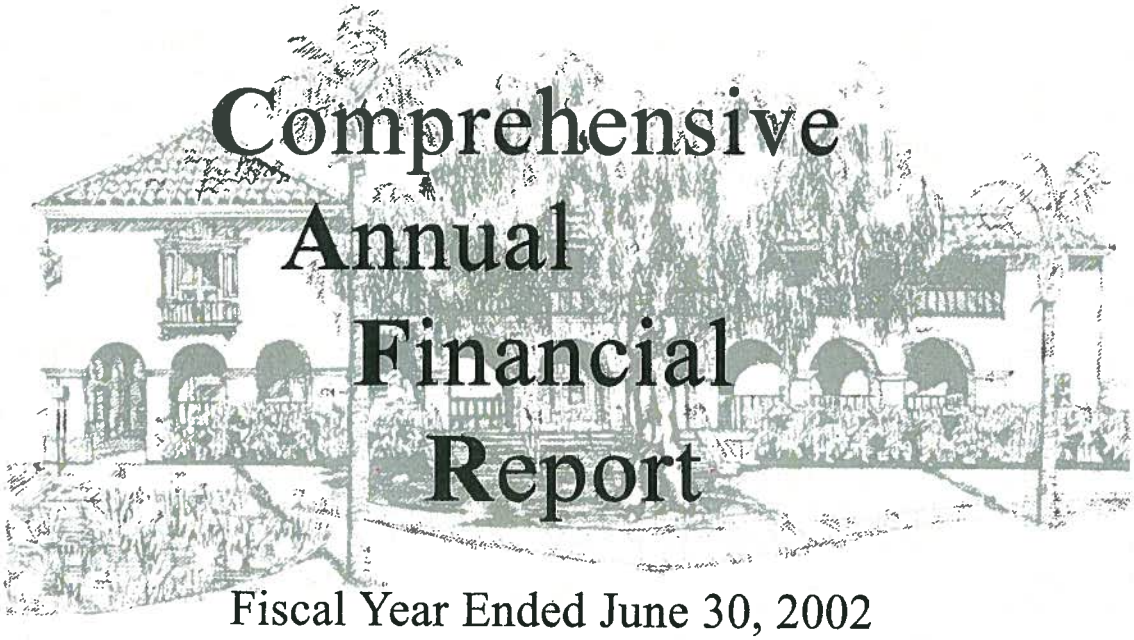
City of Santa Barbara
California
Redevelopment Agency

A Component Unit of the City of Santa Barbara



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2002

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, 2002

ROBERT D. PEIRSON, AGENCY TREASURER

Introductory Section

Introductory Section

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2002

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TREASURY	564-5334
ACCOUNTING	564-5340
PAYROLL	564-5358
BILLING/COLLECTION	564-5344
RISK MANAGEMENT	564-5347
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PURCHASING..... 564-5349
PURCHASING FAX..... 897-1977

City of Santa Barbara

California

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DE LA GUERRA PLAZA
POST OFFICE BOX 1990
SANTA BARBARA, CA 93102-1990

September 20, 2002

The Honorable Chairperson and the Members of the Redevelopment Agency:

The comprehensive annual financial report of the Redevelopment Agency of the City of Santa Barbara (Agency) for the fiscal year ended June 30, 2002 is herewith submitted. This report was prepared by the Finance Department of the City of Santa Barbara (City) on behalf of the Agency. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Agency. To the best of our knowledge and belief, the data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Agency. All disclosures necessary to enable the reader to gain an understanding of the Agency's financial activities have been included.

The comprehensive annual financial report is presented in five sections: the introductory section, which includes the transmittal letter; the financial section, which includes management's discussion and analysis and the basic financial statements; the statistical section; the compliance and internal control section and the Agency's Annual Program Report and Work Program Section. The financial of section this report has been audited by the firm of Brown Armstrong Paulden McCown Starbuck & Keater, whose opinion thereon is included as an integral part of this report.

ECONOMIC CONDITION AND OUTLOOK

The State of California experienced strong economic growth during 1999 and much of 2000, fueled by low rates of interest, inflation and unemployment, and by overall consumer confidence. During the first half of 2001, the economy had shown signs of weakening with major indices posting significant declines. The tragic events of September 11 had major economic impacts across the nation and across world markets. The significant slowdown in the national economy appears to have touched the City of Santa Barbara as well, with significant reductions in those revenues directly related to consumer spending, such as sales taxes and transient occupancy tax revenues.

Local property taxes, the primary and largest revenue source of the Redevelopment Agency, however, continue to increase although at a slower rate then the previous two years. The residential real estate market in Santa Barbara has been very active during the last couple of years. The median price of residential real estate on the South Coast, which includes Goleta, Santa Barbara, Montecito and Carpinteria, is currently $648,000, up 2% from a year ago. As a result, increasing property tax revenues are expected to continue as the effects of real estate prices are realized through higher assessed property values.

As the Redevelopment Agency moves into its final 9 years of operation, numerous operational challenges await it. Beginning in the fall of 2002, Agency staff is in the initial stages of engaging in the critical task of establishing strategies to maximize its financial and physical impacts over the next 9 years and to create programs to succeed the Redevelopment Agency. Included amongst the strategies is the development of a long-range debt strategy for which the Agency must define projects that may be appropriate for Redevelopment Agency bond funding. The Agency has determined that the most appropriate mechanism to accomplish these tasks is to develop a Redevelopment Agency long-range capital improvement program (RDA CIP). The first step in the RDA CIP is to solicit appropriate project proposals from various City Departments. By early 2003, the Redevelopment Agency hopes to have compiled a list of major projects and programs that Agency funding can assist in their completion.

MAJOR INITIATIVES

Downtown Sidewalk and Landscaping - Phase III

Phase III of the State Street Sidewalk Improvement Project included sidewalk and landscaping improvements to the 600 and 700 Blocks of State Street, between Cota Street and De la Guerra Street. The design team of Penfield & Smith Engineering and Arcadia Studio, landscape architects, was awarded a contract for $117,000 by the City of Santa Barbara to develop a preliminary design for the project as part of Phase III. In June 2001, the City awarded a final design contract to the same design team for $115,500.

The redesign of the State Street sidewalks is consistent with the sidewalk and landscape improvements completed in the 800 through 1200 Blocks of State Street (Phase I and II) completed in 1999 and 2001, respectively. Activities in Fiscal Year 2001 consisted of the completion of preliminary design and the beginning of the final design.

The total appropriated for construction for Phase III (600 and 700 Blocks) was $1,705,355. The construction contract was awarded to Lash Construction on January 8, 2002 in the total amount of $1,598,594. Also awarded at that time was a professional construction support services contract to Penfield and Smith for a total of $94,006. Fugro West was awarded the contract for soils and concrete testing for $7,000. Science Applications International Corporation was contracted for archaeological work for $5,755. As in the prior construction phases, the Downtown Organization mounted an aggressive promotional campaign to ensure public awareness of "business as usual" within the project area. Their grant totaled $46,000. The Downtown Organization's 17-week campaign started two weeks prior to construction and included holding weekly merchant meetings, publicity, advertising, entertainment and the grand opening celebration. The City's Public Works Department received over $71,000 for their role in providing construction administration services. The Phase III basic project was funded by the Agency's tax allocation bond proceeds (Series 2001A) that became available in July 2001.

A subcomponent of Phase III was an art bench designed by local artist, Donald Davis. In July 2001, the City Visual Arts Coordinator circulated a Request for Qualifications for the Bench Project to replace a planter in the 600 Block of State Street. A selection committee comprised of an Agency Boardmember, an Old Town Merchants Association member, the Santa Barbara County Arts Commissioner, and project landscape architect Bob Cunningham chose Donald Davis from a field of three qualified artists. The Redevelopment Agency guided the design process, which was approved by the Historic Landmarks Commission. The artist developed a scale model, provided a sample of the sculpted brick and oversaw the installation of the bench. The artist received $12,000 for his work.

Phase III of the project was begun in the last week of January. The sidewalks were opened to the public in time for the Memorial Day weekend. Construction hours accommodated periods of high public use and the popular Farmer's Market had to shift up to the 500 blocks during construction. Teak benches, several drinking fountains, unique trash receptacles and bike racks enhance the sidewalks. A new kiosk was constructed at the southwest corner of Cota and State Street. Three new pads to accommodate the State of the Art sculptures were constructed. The fountain in the 600 Block of State Street was redesigned in keeping with the overall sandstone and brick plan. Sandstone medallions mark the mid-Block crosswalks. A gala grand opening was held in the afternoon on Saturday, June 8, 2002.

Phase III total costs were $1,900,000.

Plaza De La Guerra Master plan

Realizing the community importance of Plaza de la Guerra, the Agency funded Phase III of the Master Plan process. Phase III includes the development of a master plan and its presentation to the City Council for incorporation into the City's General Plan and El Pueblo Viejo Guidelines. The original grant for $35,000 was allocated in Fiscal Year 1999-2000. Phase I included the production of a high quality book that serves as the official record of all the historic papers, essays, architectural drawings, and historical photographs of Plaza de la Guerra. In October 1999, the Santa Barbara Trust for Historic Preservation was granted $12,500 for the production of the book. The book "Plaza de la Guerra Reconsidered" has been published and circulated by the Santa Barbara Trust for Historic Preservation. In December 2000, the Agency Board granted the Downtown Organization $12,500 to complete the second phase of the Plaza de la Guerra Master Plan. The purpose of Phase II was to gather input and identify issues about future improvement and use of the Plaza by holding professionally facilitated stakeholder meetings.

In early 2001, the Downtown Organization, working with Agency and City staff, convened a "Core Group" of key participants in and around Plaza de la Guerra to begin Phase II of the master plan process. The Core Group includes property owners of parcels adjacent to Plaza de la Guerra, and representatives from the Parks and Recreation Commission, Historic Landmarks Commission, the Santa Barbara News Press, the Downtown Organization, the Santa Barbara Conservancy and representatives from City Council, the City Administrator's Office, Parks and Recreation Department, and the Redevelopment Agency. This group has met seven (7) times in the last year in their efforts to design a process that is inclusive and considerate of various viewpoints and issues associated with upgrading Plaza de la Guerra. The Core Group has worked collaboratively toward the common goal of improving Plaza de la Guerra with simple, people-oriented improvements to the infrastructure and programming to help celebrate Plaza de la Guerra's role as a vital part of the community. In March 2002, the Downtown Organization received a grant for the final $10,000 from this fund to initiate a General Plan Amendment for Plaza De La Guerra. The Master Plan will provide the City with a clear direction for improving the entire area including landscape, hardscape, and parking.

Opportunity Property Acquisition

The Agency had the opportunity to acquire four adjoining parcels in the waterfront area in April 2001. The Agency purchased these four parcels with the potential of future acquisition of three more parcels also owned by the Spumoni Holding Company. The City loaned the Agency $2,875,000 for the purchase. The loan was paid off with a portion of the proceeds from the Series 2001A bond issued in July 2001.

Meanwhile, a comprehensive planning effort is underway to determine the ultimate use of the four original parcels totaling 2.4 acres at 125 Calle Cesar Chavez. A determination is being made whether to go forward with a proposed extension of Cacique Street, which would require a significant amount of the area of the present parcels or construct a multiuse path instead. Some of the uses suggested to date include the development of a community arts center - housing performing arts rehearsal space and art workspace, remote parking for the Cacique Street homeless shelter, an Urban Ecology Center and recycling facility, and various recreational and social service uses.

4200 Calle Real (St. Vincent's)

Mercy Charities Housing California (Mercy Charities), a State-wide nonprofit housing developer, proposes to build a 75-unit rental housing development for low- and very low- income families plus a 95-unit development for seniors on the site of the former St. Vincent's School, a 19-acre site in the unincorporated County near Highway 154 and Calle Real. The Agency provided Mercy Charities with an $87,000 deferred predevelopment loan and Santa Barbara County has provided a $25,000 predevelopment loan. The Agency and the State are considering providing additional predevelopment assistance later in the year. The annexation of the site into the City is pending. The design of the project is complete. The Agency has budgeted $7 million for the project and the County has committed $2.5 million. The majority of the remaining funding is expected to come from four percent tax credits and HUD 202 funds. If Mercy Charities is successful in securing the needed funding, construction will start in 2003.

OTHER INFORMATION

Component Unit Reporting

Under reporting requirements prescribed by generally accepted accounting principles adopted by the Governmental Accounting Standards Board (GASB), the Agency's results of operations are 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 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 comprehensive annual financial report. The Agency remains separate for all legal purposes. Accordingly, the accompanying general purpose financial statements are issued as a separate component unit report of the Redevelopment 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 (GAAP). 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 recognized 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 on page one of this report.

Acknowledgments

The preparation of this comprehensive annual financial report 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,

James L. Armstrong
Executive Director and Secretary

Robert D. Peirson
Agency Treasurer

REDEVELOPMENT AGENCY
OF THE
CITY OF SANTA BARBARA

Directory of Agency Officials

June 30, 2002

Marty J. Blum
Chairperson

Dan B. Secord, M.D.
Member

H.P. Fairley
Member

Roger Horton
Member

Iya G. Falcone
Member

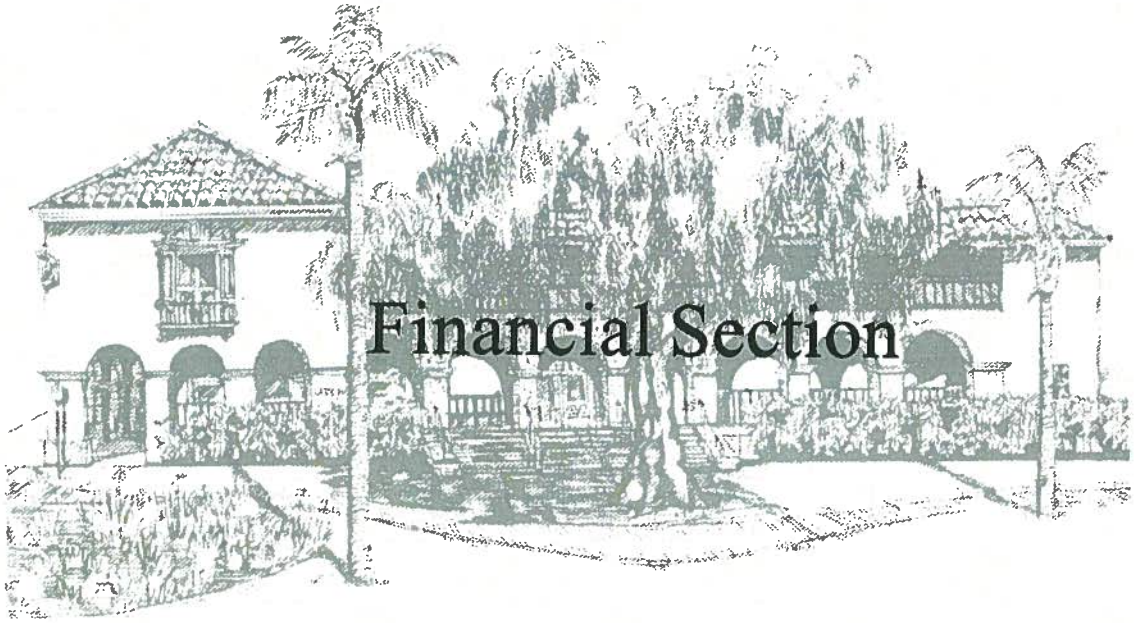
Babatunde Folayemi
Member

Gregg A. Hart
Member

James L. Armstrong
Executive Director and Secretary

Daniel J. Wallace
Agency Counsel

Robert D. Peirson
Agency Treasurer



Financial Section

Financial Section

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG
PAULDEN McCOWN STARBUCK & KEETER
CERTIFIED PUBLIC ACCOUNTANTS

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Harvey J. McCown, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA

Chris M. Thornburgh, CPA
Lynn R. Krausse, CPA, MST
Joan M. Anderson, CPA
Bradley M. Hankins, CPA
Eric H. Xin, CPA
Melinda A. McDaniels, CPA
Thomas M. Young, CPA
Amanda E. Wilson, CPA
Sharon Jones, CPA, MST
Rebecca Thomas, CPA
Rosalva Flores, CPA
Bryan J. Lewis, CPA
Debbie A. Rapp, CPA
Julie A. Auvil, CPA
Connie M. Perez, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying component unit financial statements of the Redevelopment Agency of the City of Santa Barbara (Agency), as of June 30, 2002, and for the year then ended. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Redevelopment Agency of the City of Santa Barbara, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed further in the notes to the component unit financial statements, the accompanying financial statements reflect certain changes in the presentation of financial data required as a result of the implementation of GASB Statement No. 34 for the year ended June 30, 2002.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

MEMBER of SEC Practice Section of the American Institute of Certified Public Accountants

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information listed in the table contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Agency. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole. The scope of our audit did not include the statistical information listed in the table of contents and, accordingly, we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 4, 2002 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
September 4, 2002

As management of the Redevelopment Agency of the City of Santa Barbara, the following is our narrative discussion and analysis of the financial activities of the Redevelopment Agency for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages ii through v of this report.

The Management's Discussion and analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2001-02) and the prior year (2000-01) is required to be presented in the MD&A. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. A comparative analysis will be available next year.

Financial Highlights

The assets of the Redevelopment Agency (Agency) exceeded its liabilities as of June 30, 2002 by $73,142,145 (net assets). Of this amount, $5,221,194 (unrestricted assets) may be used to meet the Agency's ongoing obligations to citizens and creditors.

The Agency's total net assets were increased by $7,437,811 due primarily to the issuance of new debt in July 2001.

As of June 30, 2002, the Agency's governmental funds reported combined ending fund balances of $78,915,527.

The Redevelopment Agency's total debt increased by $38,855,000 due to the issuance of the Agency's Series 2001 Tax Allocation Bonds in July 2001.

Overview of Financial Statements

This discussion and analysis are 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 supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.

Both of the government-wide financial statements reflect functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Agency include general government, HOME housing activities, debt service and capital projects.

The government-wide financial statements can be found on pages 10 - 11 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.

Governmental Funds

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 governmental fund 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, the debt service fund, the special revenue fund and the capital projects funds, all of which are major funds.

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 12 and 13 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 17 through 27 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by $73,142,145 as of the fiscal year ended June 30, 2002.

By far the largest portion of the Agency's outstanding assets (42%) reflects its investment in capital assets (e.g., land, buildings, improvements), less related debt outstanding used to acquire those assets. The Agency acquired and facilitated the improvements of these capital assets to eliminate blight and increase availability or low to moderate housing in the community; consequently, these assets are not available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

This is the first year of reporting using the GASB 34 requirements so there are no prior year comparisons. However, the table below identifies the total assets, total liabilities and the total net assets as of June 30, 2002.

REDEVELOPMENT AGENCY
OF THE CITY OF SANTA BARBARA
Net Assets

	Total Governmental Activities 2002
Current and other assets	**$ 81,902,010**
Capital assets	**57,247,215**
Total assets	**139,149,225**
Long-term liabilities outstanding	**59,675,000**
Other liabilities	**6,332,080**
Total liabilities	**66,007,080**
Net assets:	
Invested in capital assets, net of related debt	**31,018,513**
Restricted	**36,902,438**
Unrestricted	**5,221,194**
Total net assets	**$ 73,142,145**

The balance of unrestricted net assets ($5,221,194) may be used to meet the Agency's ongoing obligations to eliminate blight and improve low to moderate housing in the central city redevelopment project area.

At the end of the fiscal year, June 30, 2002, the Agency is able to report positive balances in all three categories of net assets of the primary government.

The Redevelopment Agency's revenues are largely generated from Property Tax Increment. The Redevelopment Agency uses 80% of these revenues to fund debt service on outstanding debt and redevelopment eligible capital improvement projects, and 20% of the revenues to fund affordable housing activities.

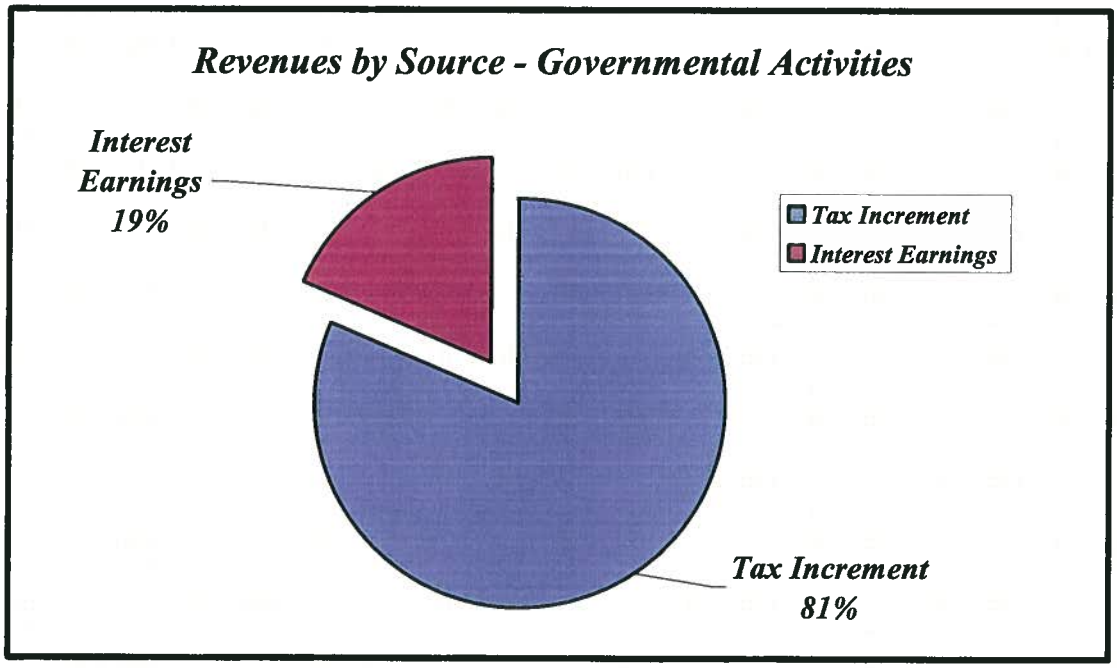
Governmental activities

Governmental activities increased the Agency's net assets by $7,441,837. A table summarizing the key elements of the increase follows:

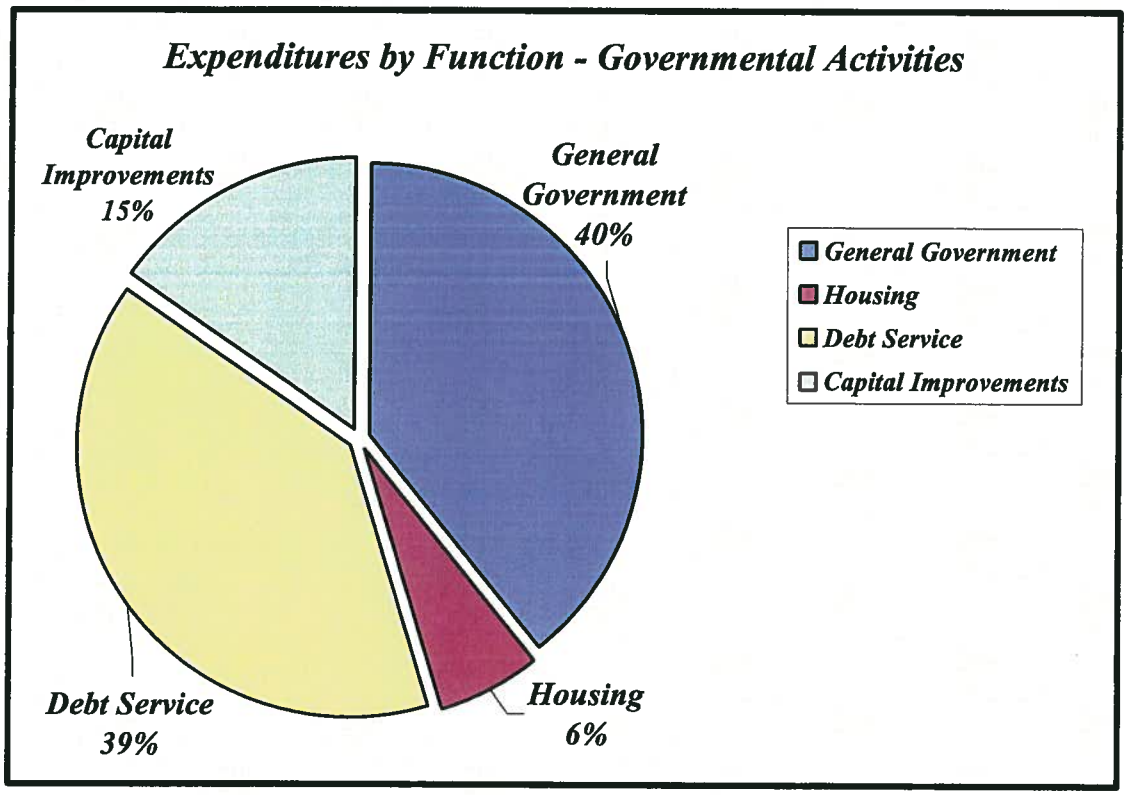
REDEVELOPMENT AGENCY
OF THE CITY OF SANTA BARBARA
Net Assets

	Governmental Activities
	2002
General Revenues:	
Property Tax Increment	*$ 11,852,589*
Unrestricted Interest Earnings	*2,570,358*
Other Revenue	*3,700*
Total Revenues	*14,426,647*
Expenses:	
General Government	*2,338,693*
Housing	*375,624*
Debt Service	*3,352,395*
Redevelopment Capital Improvements	*918,098*
Total Expenses	*6,984,810*
Increase in net assets before transfers	*7,441,837*
Transfers	*(4,026)*
Increase in net assets	*7,437,811*
Net Assets 6/30/2001	*65,704,334*
Net Assets 6/30/2002	*$ 73,142,145*

Revenue is made up of property tax increment and unrestricted interest earnings as seen in the chart below:



The general government and debt service account for the majority of expenses as seen in the chart below:



General Government Budgetary Highlights

Differences between the original budget and the final amended budget for general fund were relatively minor (a decrease of $10,800 to overall appropriations). The decrease is made up of three components including an increase to appropriations for supplies and services of $10,800 related to special projects and minor building improvements, for projects of $305,000 related to Historic Preservation and acquisition of news-racks, other expenditures decreased by $51,000, and transfers-in increased by $264,000 due to the addition of the Historical Preservation Grants and finally, transfers out increased by $10,000 to fund an increase to the State of the Art Gallery.

The difference between the original budget and the final amended budget for the special revenue fund is an increase of approximately $22,600 to professional service contract appropriations that was required due to additional costs to manage housing loans.

Capital Asset and Debt Administration

Capital Assets

The Agency's investment in capital assets, as of June 30, 2002, amounts to $57,247,215 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and construction in progress. Major capital asset events during the current fiscal year included the following:

- Parking lot 6 design and engineering is nearing completion; the Agency's share of the construction in progress costs has been $1,336,666 as of June 30, 2002.
- Phase III of the sidewalk improvements on State Street were continued; construction in progress costs have been $1,841,210 as of June 30, 2002.

Redevelopment Agency
Capital Assets (net of depreciation)

	Governmental Activities
	2002
Land	***38,871,689***
Buildings	***339,854***
Improvements Other Than Buildings	***14,743,681***
Construction in Progress	***3,291,991***
Total	***57,247,215***

Also in this fiscal year the threshold for capital assets was increased in the building category to $50,000 and improvements were increased to $25,000. For this reason some of the improvements previously capitalized fell below the new threshold level and were eliminated to properly reflect the new policy.

Additional information on the Agency's capital assets can be found in note 5 on pages 23 and 24.

Long-term Debt

At the end of the current fiscal year, the Agency had total bonded debt outstanding of $63,660,000. Each of the debt issues are tax allocation bonds secured specifically by future tax increment revenue.

Redevelopment Agency Outstanding Debt
Tax Allocation Bonds

		Governmental Activities
Tax Allocation Bonds		***2002***
1993 Series A Bonds	***$***	***8,225,000***
1995 Senior Series A Bonds		***14,005,000***
1995 Subordinate Series B Bonds		***3,125,000***
2001 Series A Bonds		***38,305,000***
Total	***$***	***63,660,000***

The Agency issued Series A 2001 Tax Allocation Bonds in the amount of $38,855,000 during the current fiscal year.

The tax allocation bonds of the Agency are rated "Baa" by Moody's Investor Services and "BBB+" by Standard & Poor's.

Additional information on the Agency's long-term debt can be found in note 7 on pages 25 and 26.

Economic Factors and Next Year's Budget

The Redevelopment Agency's tax increment revenue is anticipated to again increase, as the real estate market remains strong. The Redevelopment Agency has estimated a conservative increase of 3% for the next fiscal year. This factor was considered in preparing the Agency's budget for the 2003 fiscal year.

Request 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:

City of Santa Barbara – Department of Finance
P.O. Box 1990
Santa Barbara, CA 93102-1990
ATTN: Mr. Ron Liechti
Phone: 805-564-5340

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2002

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 17,832,282
Loans Receivable	24,371,024
Accrued Interest Receivable	103,748
Due from other agencies	251,599
Inter-governmental receivables	531,400
Properties held for resale	433,952
Deferred charge -issuance costs	1,253,504
Deferred charge - discount	222,063
Restricted assets:	
Cash and investments with fiscal agent	36,902,439
Capital Assets (net of accumulated depreciation):	
Land	38,871,689
Buildings	339,854
Improvements other than buildings	14,743,681
Construction in progress	3,291,991
Total assets	139,149,225
LIABILITIES	
Accounts Payable	273,088
Accrued Interest Payable	897,952
Premium on issuance of debt	379,802
Loans payable	581,630
Deposits	214,608
Non-current liabilities	
Due within one year	3,985,000
Due in more than one year	59,675,000
Total liabilities	66,007,080
Invested in capital assets, net of related debt	31,018,513
Restricted for:	
Debt service	36,902,438
Unrestricted	5,221,194
NET ASSETS	$ 73,142,145

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary government:				
Governmental activities:				
General Government	$ 2,780,284	$ 441,591	$ -	$ (2,338,693)
Housing	375,624	-	-	(375,624)
Debt Service	3,352,395	-	-	(3,352,395)
Redevelopment Capital	918,098	-	-	(918,098)
Total governmental activities	7,426,401	441,591	-	(6,984,810)

General Revenues:	
Property Taxes	11,852,589
Unrestricted investment earnings	2,570,358
Other Revenue	3,700
Transfers	(4,026)
Total general revenues and transfers	14,422,621
Change in net assets	7,437,811
Net assets - beginning	65,704,334
Net assets - ending	$ 73,142,145

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Balance Sheet
Governmental Funds
June 30, 2002

Assets and Other Debits	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Cash and investments	$ 2,971,217	$ 8,987,118	$ -	$ 5,873,947	$ 17,832,282
Loans receivable	1,135,862	23,235,162	-	-	24,371,024
Accrued interest receivable	60,133	43,615	-	-	103,748
Due from other agencies	-	-	-	251,599	251,599
Interfund receivable	1,359,097	-	2,112,575	-	3,471,672
Properties held for resale	433,952	-	-	-	433,952
Restricted assets:					
Cash and investments with fiscal agent	-	-	36,902,439	-	36,902,439
Total assets and other debits	$ 5,960,261	$32,265,895	$39,015,014	$ 6,125,546	$ 83,366,716
Liabilities, Fund Balances and Other Credits					
Liabilities:					
Accounts payable	$ 32,150	$ 887	$ -	$ 240,051	$ 273,088
Interfund payable	-	-	-	2,940,272	2,940,272
Deposits	154,108	60,500	-	-	214,608
Deferred Revenue	441,591	-	-	-	441,591
Loans payable	-	581,630	-	-	581,630
Total liabilities	627,849	643,017	-	3,180,323	4,451,189
Fund Balances					
Fund balances, reserved:					
Encumbrances	243,620	8,368	-	203,802	455,790
Properties held for resale	433,952	-	-	-	433,952
Debt service	-	-	39,015,014	-	39,015,014
Capital projects	-	-	-	2,489,822	2,489,822
Due from other agencies	-	-	-	251,599	251,599
Redevelopment activities	2,987,576	-	-	-	2,987,576
Non-current loans receivable	1,667,264	22,713,532	-	-	24,380,796
Low and moderate income housing	-	8,900,978	-	-	8,900,978
Total fund balances	5,332,412	31,622,878	39,015,014	2,945,223	78,915,527
Total liabilities and fund balances	$ 5,960,261	$32,265,895	$39,015,014	$ 6,125,546	

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	57,247,215
Long-term liabilities, including bonds payable, net of unamortized premiums and discounts, are not due and payable in the current period and therefore are not reported in the funds.	(63,817,740)
Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	(897,952)
Governmental funds report debt issuance costs 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.	1,253,504
Special assessment bonds will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore deferred in the funds.	441,591
Net assets of governmental activities	$ 73,142,145

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
Fiscal year ended June 30, 2002

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues:					
Incremental property taxes	$ 9,482,071	$ 2,370,518	$ -	$ -	$ 11,852,589
Use of money and property	540,147	669,966	1,360,245	-	2,570,358
Other revenues	-	3,700		-	3,700
Total revenues	10,022,218	3,044,184	1,360,245		14,426,647
Expenditures:					
Current:					
Supplies and services	1,067,302	298,263	-	-	1,365,565
Projects	479,667	13,223	-	4,095,974	4,588,864
Other expenditures	11,384	64,138	-	-	75,522
Debt service:					
Principal	-	-	4,345,000	-	4,345,000
Interest	-	-	2,738,785	38,021	2,776,806
Total expenditures	1,558,353	375,624	7,083,785	4,133,995	13,151,757
Excess (deficiency) of revenues over (under) expenditures	8,463,865	2,668,560	(5,723,540)	(4,133,995)	1,274,890
Other financing sources (uses):					
Long-term debt issued	-	-	38,855,000	-	38,855,000
Bond issuance costs	-	-	(809,932)	-	(809,932)
Original Issue Discount	-	-	(235,125)	-	(235,125)
Operating transfers in	1,940,780	-	6,865,499	5,613,420	14,419,699
Operating transfers out	(9,569,792)	(132)	(4,853,801)	-	(14,423,725)
Total other financing sources (uses)	(7,629,012)	(132)	39,821,641	5,613,420	37,805,917
Net change in fund balances	834,853	2,668,428	34,098,101	1,479,425	39,080,807
Fund balances, beginning of fiscal year	4,497,559	28,954,450	4,916,913	1,465,798	39,834,720
Fund balances, end of fiscal year	$ 5,332,412	$ 31,622,878	$ 39,015,014	$ 2,945,223	$ 78,915,527

The notes to the financial statements are an integral part of this statement.

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 Year Ended June 30, 2002

Amounts reported for governmental activities in the statement of activities (page 9) are different because:

Net change in fund balances - total governmental funds (page 11)	$ 39,080,807
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.	1,955,945
The issuance of long-term debt (tax allocation bonds) 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 difference in the treatment of long-term debt and related items.	(37,892,330)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	4,345,000
Proceeds from the issuance of bonds is another financing source in the governmental funds, but is reported as an increase in long-term liabilities in the statement of net assets	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	441,591
Accrued interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period	(493,202)
Change in net assets of governmental activities (page 11)	7,437,811

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2002

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Incremental property tax	$ 9,100,000	$ 9,100,000	$ 9,482,071	$ 382,071
Use of money and property	231,000	231,000	540,147	309,147
Other Revenue	-	-	-	-
Total Revenues	9,331,000	9,331,000	10,022,218	691,218
EXPENDITURES				
Current:				
Supplies and services	1,082,400	1,071,600	1,067,302	4,298
Projects	574,425	879,424	479,667	399,757
Other expenditures	182,744	131,744	11,384	120,360
Total Expenditures	1,839,569	2,082,768	1,558,353	524,415
Excess of revenues over expenditures	7,491,431	7,248,232	8,463,865	166,803
Other Financing Sources (Uses)				
Operating transfers in	-	264,000	1,940,780	1,676,780
Operating transfers out	(9,746,256)	(9,756,256)	(9,569,792)	186,464
Total other financing sources (uses)	(9,746,256)	(9,492,256)	(7,629,012)	1,863,244
Net change in fund balances	(2,254,825)	(2,244,024)	834,853	2,030,047
Fund balances, beginning of fiscal year	2,254,825	2,254,825	4,497,559	2,242,734
Fund balances, end of fiscal year	$ -	$ 10,801	$ 5,332,412	$ 4,272,781

(continued)

The notes to the financial statements are an integral part of this statement.

Special Revenue Housing Fund			
Budgeted Amounts		Actual	Variance with Final Budget - Positive
Original	Final	Amounts	(Negative)
$ 2,275,000	$ 2,275,000	$ 2,370,518	$ 95,518
600,000	600,000	669,966	69,966
-	-	3,700	3,700
2,875,000	2,875,000	3,044,184	169,184
379,500	401,902	298,263	103,639
5,000	5,000	13,223	(8,223)
16,000	16,196	64,138	(47,942)
400,500	423,098	375,624	47,474
2,474,500	2,451,902	2,668,560	(121,710)
-	-	-	-
-	-	(132)	(132)
-	-	(132)	(132)
2,474,500	2,451,902	2,668,428	(121,842)
28,954,450	28,954,450	28,954,450	-
$ 31,428,950	$ 31,406,352	$ 31,622,878	$ (121,842)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Redevelopment Agency of the City of Santa Barbara (Agency) conform to generally accepted accounting principles (GAAP) 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 Governmental Accounting Standards Board (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 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.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus 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 with 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 so 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 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 1993, 1995 and 2001 Tax Allocation Bonds which are being used to fund major capital improvement projects of the Agency.

Debt Service Fund – The Debt Service fund is used to account for the accumulation of resources for and the payment of, 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. Budgetary Controls

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 taxpayer comments.
- Prior to June 30, the budget is legally enacted through the passage of an ordinance.
- 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 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.

Budgeted amounts, as presented in the accompanying financial statements, are as originally adopted in June 2001, or as amended by the Agency Board. Individual amendments were not material in relation to the original appropriations.

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 do not represent expenditures or liabilities.

E. Investments

Investments are reported in the accompanying basic financial statements as cash and investments. 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 fair value.

F. 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.

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.

G. 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.

H. Self-Insurance

For purposes of general liability, the Agency is self-insured. As of June 30, 2002, management is not aware of any outstanding liabilities, which would require accrual.

I. Low and Moderate Income Housing

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

J. Capital Assets

Capital assets, which include, land, buildings, improvements other than buildings and construction in progress are reported in the government-wide financial statements. The Agency defines capital assets as assets with an initial, individual cost of more than $25,000 for building improvements and other improvements and more than $50,000 for buildings and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or 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 asset or materially extend assets lives are not capitalized.assets, except land and construction in progress, of the Agency are depreciated using the straight-line method:

Assets	Years
Buildings	40
Improvements other than Buildings	25-50

K. Use of Estimates

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 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. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." Another element is due to the accounting for capital assets in the government-wide statement of net assets and not reporting them in the government fund balance sheet. The details of the $3,989,309 difference are listed below:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	$ 57,247,215
Long-term liabilities, including bonds payable, net of unamortized premiums and discounts, are not due and payable in the current period and therefore are not reported in the funds	(63,817,740)
Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	(897,952)
Governmental funds report debt issuance costs 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	1,253,504
Special assessment bonds will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore deferred in the funds.	441,591
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	$ (5,773,382)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those

assets are allocated over their estimated useful lives and reported as depreciation expense." The details of the $1,955,945 difference is as follows:

Capital outlay	$ 3,177,876
Depreciation expense	(1,221,931)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ 1,955,945

Another element of that reconciliation states "the issuance of long-term debt 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." The details of the difference areas follows:

Debt issued or incurred:	
Issuance of tax allocation bonds	$(38,855,000)
Principal repayments:	
Tax allocation bonds 1993	915,000
Tax allocation bonds 1995	2,880,000
Tax allocation bonds 2001	550,000
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$(34,510,000)

Another element of that reconciliation states that governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this $2,423,745 difference are as follows:

Cost of issue on new tax allocation bonds	$ 809,932
Premium Series A 2001 Bonds	235,125
Cost of issue and discount on 1995 tax allocation bonds	(132,625)
Cost of issue 1993 tax allocation bonds	50,238
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	441,591
Accrued interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period	(493,202)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ 911,059

NOTE 3. DEPOSITS AND INVESTMENTS

The Agency's cash and investments are managed by the City Treasurer. All of the Agency's cash, except for its investments in the State of California Local Agency Investment fund (LAIF) and cash and investments with fiscal agents, is combined with the City's overall invested pooled cash in order to maximize return. Interest earned on pooled investments is allocated monthly to the various Agency funds based on the respective fund's average monthly cash balance. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The following summarizes total cash and investments of the Agency

LAIF	$ 16,044,482
Equity Interest in City Pool	1,787,800
Total	$ 17,832,282
Cash and Investments with fiscal agents	$ 36,902,439

A. Deposits

The California Government Code requires California banks and savings and loans to secure public deposits by pledging government securities as collateral. The market value of the pledged securities must equal 110% of the Agency's deposits. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes equal to 150% of the deposits. The City may waive collateral requirements for deposits that are fully insured up to $100,000 by the Federal Deposit Insurance Corporation (FDIC).

B. Investments

Under the terms of the City's investment policies, which have also been adopted by the Agency, the Agency is authorized, in accordance with Section 53601 of the California Government Code, to invest in the following instruments:

- Bonds issued by the City
- Securities issued or guaranteed by the Federal Government or its agencies
- Medium term notes of a maximum of five years maturity issued by corporations or depository institutions organized and operating within the United States
- Repurchase and reverse repurchase agreements of any securities authorized by the California Government Code
- Bankers' acceptances eligible for purchase by the Federal Reserve System
- Commercial paper, rated A-1/P-1
- Negotiable certificates of deposit issued by a nationally chartered bank, savings association, or credit union
- Certificates of deposit issued by commercial banks and savings and loan associations that are collateralized in accordance with the California Government Code
- State of California Local Agency Investment Fund (LAIF)
- U.S. Government money market mutual funds
- Demand deposit accounts

The City's investment policy also establishes a maximum term of 5 years at the time an investment is purchased, with the average maturity of the portfolio not to exceed two years. The Agency's investments comply with the established policy.

At no time during the fiscal year did the Agency borrow funds through the use of reverse repurchase agreements although such transactions are authorized by the City's investment policy.

Except for the Agency's investment in the State of California Local Agency Investment Fund (LAIF), all of the Agency's cash is combined with the City's pooled investments and, therefore, does not represent specific identifiable investments.

The Agency's investment in LAIF and investments with fiscal agents are summarized and categorized below. These categories, intended to indicate the level of custodial risk assumed by the Agency in its investments, are defined as follows:

Category 1 - Investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency's name

Category 2 - Uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Agency's name

Category 3 - Uninsured and unregistered investments for which the securities are held by the counter party trust department or agent, but not specifically in the Agency's name

Not subject to categorization - includes investments, defined by GASB Statement No. 3, such as mutual funds or government investment pools, which are not evidenced by securities that exist in physical or book entry form

The management of the State of California Pooled Money Investment Account (PMIA), of which the Local Agency Investment Fund (LAIF) is a component, has indicated to the Agency that as of June 30, 2002 the carrying amount of the pool was $47,719,552,487 and the estimated fair value of the pool (including accrued interest) was $48,082,558,174. The Agency's proportionate share of that market value is $16,044,482. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling $970,548,000, and asset backed securities totaling $830,572,000. LAIF's (and the Agency's) exposure to risk (credit, market or legal) is not currently available.

C. Funds with Fiscal Agent

The Agency has moneys held by trustees or fiscal agents pledged to the payment or security of certain bonds or projects funded by the bond proceeds. Cash and investments with fiscal agent are held by separate agreement with each fiscal agent. The California Government Code provides that these moneys, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. In no instance have additional types of investments not permitted by the Agency's general investment policy been authorized.

NOTE 4. PROPERTIES HELD FOR RESALE

A summary of changes in properties held for resale follows:

	Balance June 30, 2001	Additions	Deletions	Balance June 30, 2002
Properties held for resale	$ 433,952	-	-	$ 433,952

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002 was as follows:

	Beginning Balance July 1, 2001	Increases	Decreases	Ending Balance June 30, 2002
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 38,871,689	$ -	$ -	$ 38,871,689
Construction in progress	114,115	3,177,876	-	$ 3,291,991
Total capital assets, not being depreciated	38,985,804	3,177,876	-	42,163,680
Capital assets being depreciated:				
Building	357,741	-	-	$ 357,741
Improvements other than buildings	24,802,621	-	-	$ 24,802,621
Total capital assets being depreciated	25,160,362	-	-	25,160,362
Less accumulated depreciation for:				
Buildings	(8,944)	(8,943)	-	$ (17,887)
Improvements other than buildings	(8,919,905)	(1,139,035)	-	$(10,058,940)
Total accumulated depreciation	(8,928,849)	(1,147,978)	-	(10,076,827)
Total capital assets, being depreciated, net	16,231,513	(1,147,978)	-	15,083,535
Governmental activities capital assets, net	$ 55,217,317	$ 2,029,898	$ -	$ 57,247,215

Depreciation expense of $1,147,978 was charged to the general fund of the Agency.

Certain beginning balances of capital assets in the above table have been restated to reflect the first-time implementation of GASB 34 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.*

The Agency has active construction projects as of June 30, 2002. The projects include construction of public restrooms, design, engineering and construction of parking lots, sidewalk design and construction and restoration of a public event center. At year-end the Agency's commitments with contractors are as follows:

Project	Spent To Date
State Street Restroom	$ 47,892
Railroad Station South Parking Lot	66,223
State Street Sidewalk Design & Construction	1,841,210
Parking Lot 6	1,336,666
Total	$ 3,291,991

Special assessment bonds that will be repaid by the benefiting property owners are financing the special assessment portion of the commitment for State Street sidewalk improvements. Tax allocation bonds issued by the Agency are funding the public-purpose portion of this same project. Primarily tax allocation bonds and the Agency's incremental property tax revenue fund the remaining projects.

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund and primary government/component unit balances as of June 30, 2002, is as follows:

The composition of inter-fund and primary government/component unit balances as of June 30, 2002, is as follows:

	Transfer In:				
Transfer Out:	Agency General Fund	Agency Capital Projects	Agency Debt Service	City General Fund	Total
Agency General Fund	$ -	$ 2,700,400	$ 6,865,500	$ 3,892	$ 9,569,792
Housing Fund	-	-	-	132	132
Debt Service Fund	1,940,780	2,913,021	-	-	4,853,801
Total	$ 1,940,780	$ 5,613,421	$ 6,865,500	$ 4,024	$ 14,423,725

In the fund financial statements, total transfers in of $14,519,699 are less than total transfers out of $14,423,725 leaving a difference of $4,026. The difference is because of the treatment of transfers between the Agency Funds (blended component unit) and the general government of the City of Santa Barbara.

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. Inter-fund transfers from the debt service fund (2001 tax allocation bonds) to the Agency general fund and capital projects fund are to repay those funds with bond proceeds for cash advanced in the prior year to purchase strategic real property for the Agency that may not have been available in the new fiscal year.

The Inter-fund Receivable on the Statement of Net Assets in the amount of $531,400 is due from the City of Santa Barbara. In November 1998, the Redevelopment Agency authorized an advance to the City's General Fund for the purpose of funding capital costs for the State Street Sidewalk Improvement Project. This advance is being repaid over a period of five years with funds generated from an assessment district.

NOTE 7. 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. During the year the Agency issued $38,855,000 of new tax allocation bonds

Tax allocation bonds outstanding at year-end is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding Balance June 30, 2002
Tax allocation bonds:					
1993 Series A	5.1 - 8.5%	02/01/93	02/01/07	$ 14,605,000	$ 8,225,000
1995 Senior Series A	3.65 - 6.00%	12/01/95	03/01/08	28,170,000	14,005,000
1995 Subordinate Series B	4.375 - 6.35%	12/01/95	03/01/07	6,845,000	3,125,000
2001 Series A	4.125 - 5.00%	07/25/01	03/01/19	38,855,000	38,305,000
Total				$ 88,475,000	$ 63,660,000

Long-term liability activity for the year ended June 30, 2002 was as follows:

	Balance 07/01/01	Additions	Retirements	Balance 06/30/02	Due Within One Year
Tax allocation bonds:					
1993 Series A	$ 9,140,000	$ -	$ 915,000	$ 8,225,000	$ 985,000
1995 Senior Series A	16,335,000	-	2,330,000	14,005,000	2,420,000
1995 Subordinate Series B	3,675,000	-	550,000	3,125,000	580,000
2001 Series A	-	38,855,000	550,000	38,305,000	-
Total	$ 29,150,000	$ 38,855,000	$ 4,345,000	$ 63,660,000	$ 3,985,000

Annual debt service requirements to maturity for tax allocation bonds are as follows:

	1993 Tax Allocation	1995 Senior Series A	1995 Subordinate Series B	2001 Tax Allocation	Total
2003	1,497,123	3,195,713	766,775	1,764,854	7,224,465
2004	1,523,022	3,168,788	772,700	1,764,854	7,229,364
2005	2,302,753	2,389,800	720,500	1,764,854	7,177,907
2006	2,323,065	2,369,100	719,200	1,764,854	7,176,219
2007	2,338,600	2,353,000	720,800	1,764,854	7,177,254
2008-2012	-	3,460,900	-	19,951,419	23,412,319
2013-2017	-	-	-	22,769,615	22,769,615
2018-2019	-	-	-	9,115,750	9,115,750
TOTAL	9,984,563	16,937,301	3,699,975	60,661,054	91,282,893

The Agency has complied with all significant bond covenants.

NOTE 8. LOANS RECEIVABLE

Loans receivable in the governmental funds, totaling $24,371,024 at June 30, 2002, consist of (1) housing rehabilitation loans, in the amount of $23,235,162 with interest ranging from 3% to 8% and maturities up to 20 years (2) a two-year bridge loan to The Coalition to Provide Shelter & Support to Santa Barbara Homeless in the amount of $1,112,035 and (3) another loan of $23,827 to Bernard J. Borderre with interest at 8.5%.

NOTE 9. DUE FROM OTHER AGENCIES

On December 6, 1994, the County of Orange (Orange County) and the Orange County Investment Pools (Pool) filed petitions for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code. The Agency was one of over 180 participants in the Pool (Pool Participants). As of December 6, 1994, the Agency's Pool investment principal balance was $11,780,015 according to the records of Orange County.

A Comprehensive Settlement Agreement (Settlement) for the Pool was offered to Pool Participants in March of 1995. Pool Participants were offered a choice of two settlement options (Option A or Option B). In April 1995, the City Council acting as the Agency Board selected Option B which provided for the return of approximately $9.7 million and the reservation of all rights to recover the remaining balance from all potential sources, including Orange County and third parties.

In September of 1995, the Agency, along with other Option B agencies, filed a complaint for damages against Merrill Lynch. In October of 1995, the Agency along with other Option B agencies, filed a complaint for damages against Orange County. The complaint for damages against Orange County was settled for a cash distribution of $417,111 received in fiscal year.

1996-97, and warrants amounting to $503,200, payable in ten equal annual installments plus interest at the rate of 6.25% on the unpaid balance. The first installment was received in July 1997.

As a result of the settlement with Orange County, the Agency, along with the other Option B agencies, also participates in certain litigation entitlements related to the County's litigation against third parties. This amount is classified on the balance sheet as "due from other agencies." While collection of this receivable cannot presently be determined, it is the opinion of City management on behalf of the Agency, that the effect of non-recovery of the claims would not materially affect the financial position of the Agency.

Total "due from other agencies" at June 30, 2002 is summarized as follows:

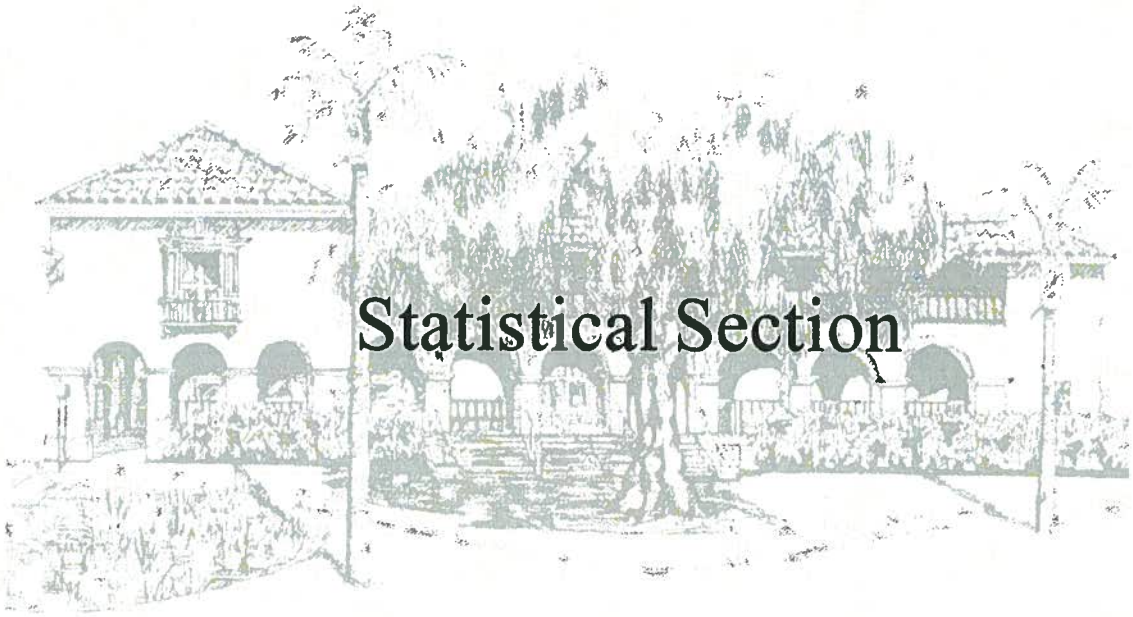
Warrants receivable	$ 231,974
Accrued interest receivable	19,625
Total due from other agencies	$ 251,599

NOTE 10. 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 11. OTHER REQUIRED DISCLOSURES – CERTIFICATES OF PARTICIPATION

In 1984, the Redevelopment Agency of the City of Santa Barbara 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, and later refunded in 1992 through the issuance of the 1992 $19,745,000 Certificates of Participation. Pursuant to an agreement dated May 1, 1992, 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 Redevelopment Agency. As of June 30, 2002 the Certificates of Participation have an outstanding balance of $17,605,000.



Statistical Section

Statistical Section

Table 1

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
General Expenditures By Function
Last Ten Fiscal Years
(Unaudited)

Year ended June 30	Supplies and services	Projects	Principal	Interest	Other	Total
1993	$ 847,138	$ 1,751,083	$ 1,480,000	$ 2,723,160	$ -	$ 6,801,381
1994	844,715	904,666	2,060,000	3,602,212	392,171 *	7,803,764
1995	570,544	5,235,716	2,270,000	3,379,742	392,265 *	11,848,267
1996	652,085	1,490,561	3,115,000	2,373,841	700,449 **	8,331,936
1997	967,789	4,662,105	2,970,000	2,499,501	1,182,002 ***	12,281,397
1998	838,540	4,709,516	3,085,000	2,373,706	88,882	11,095,644
1999	880,215	5,785,578	3,225,000	2,235,642	240,489	12,366,924
2000	889,276	2,213,070	3,410,000	2,057,685	27,663	8,597,694
2001	928,917	6,937,224	3,600,000	1,867,900	16,327	13,350,368
2002	1,365,565	4,588,864	4,345,000	2,776,806	75,522	13,151,757

* Represents amounts paid to the Educational Revenue Augmentation Fund.

** Represents amounts paid as cost of issuance.

*** $1,109,521 represents forgiveness of loans receivable.

Source: City of Santa Barbara Finance Department

Table 2

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
General Revenues By Source
Last Ten Fiscal Years
(Unaudited)

Year ended June 30	Tax Increment	Use of Money and Property	Development Fees	Other	Total
1993	$ 7,833,881	$ 1,168,515	$ -	$ 173,554	$ 9,175,950
1994	7,770,191	1,598,241	-	2,306,109	11,674,541
1995	7,627,615	1,178,957	-	3,536,859	12,343,431
1996	7,601,512	1,066,972	-	321,830	8,990,314
1997	7,744,675	1,606,952	-	83,246	9,434,873
1998	8,039,594	1,542,905	-	214,480	9,796,979
1999	9,234,958	1,273,690	-	1,491,456	12,000,104
2000	9,624,123	1,406,226	-	1,411,869	12,442,218
2001	11,183,224	1,990,859	-	16,699	13,190,782
2002	11,852,589	2,570,358	-	3,700	14,426,647

Source: City of Santa Barbara Finance Department

Table 3

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Property Tax Rates - All Overlapping Governments
per $100 of assessed value
Last Ten Fiscal Years
(Unaudited)

Year ended June 30	County	City	Schools	State Water Project	Total
1993	1.00000	-	0.00381	-	1.00381
1994	1.00000	-	0.00156	-	1.00156
1995	1.00000	-	0.00102	-	1.00102
1996	1.00000	-	0.00761	-	1.00761
1997	1.00000	-	0.01223	-	1.01223
1998	1.00000	-	0.00420	-	1.00420
1999	1.00000	-	0.03480	-	1.03480
2000	1.00000	-	0.02950	-	1.02950
2001	1.00000	-	0.02670	-	1.02670
2002	1.00000	-	0.01602	-	1.01602

Source: County of Santa Barbara: Tax Rates and Assessed Valuations
Assesor's Role

Table 4

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Assessed Values - Tax Levy
Last Ten Fiscal Years
(Unaudited)

Year ended June 30		Secured				
		Base year	Assessed value	Increment assessed value	Tax rate	Tax levy
1993	CCRP	$ 96,895,229	$ 740,919,224	$ 644,023,995	1.00381	$ 6,464,777
	Unitary Allocation	-	-	-		283,422
		96,895,229	740,919,224	644,023,995		6,748,199
1994	CCRP	96,895,229	750,616,162	653,720,933	1.00156	6,547,407
	Unitary Allocation	-	-	-		283,301
		96,895,229	750,616,162	653,720,933		6,830,708
1995	CCRP	96,895,229	732,903,848	636,008,619	1.00102	6,366,574
	Unitary Allocation	-	-	-		249,712
		96,895,229	732,903,848	636,008,619		6,616,286
1996	CCRP	96,895,229	727,262,303	630,367,074	1.00761	6,351,643
	Unitary Allocation	-	-	-		-
		96,895,229	727,262,303	630,367,074		6,351,643
1997	CCRP	96,895,229	737,801,977	640,906,748	1.01223	6,415,732
	Unitary Allocation	-	-	-		-
		96,895,229	737,801,977	640,906,748		6,415,732
1998	CCRP	96,895,229	745,437,239	648,542,010	1.00420	6,491,257
	Unitary Allocation	-	-	-		245,928
		96,895,229	745,437,239	648,542,010		6,737,185
1999	CCRP	96,895,229	839,243,063	742,347,834	1.03480	7,423,478
	Unitary Allocation	-	-	-		244,642
		96,895,229	839,243,063	742,347,834		7,668,120
2000	CCRP	96,895,229	881,000,563	784,105,334	1.02950	7,842,139
	Unitary Allocation	-	-	-		249,239
		96,895,229	881,000,563	784,105,334		8,091,378
2001	CCRP	96,895,229	985,145,500	888,250,271	1.02670	8,882,504
	Unitary Allocation	-	-	-		257,735
		96,895,229	985,145,500	888,250,271		9,140,239
2002	CCRP	96,895,229	1,052,767,254	955,872,025	1.01602	9,559,877
	Unitary Allocation	-	-	-		282,199
		96,895,229	1,052,767,254	955,872,025		9,842,076

Note (1): The County remits the full amount of the levy to the Agency. Delinquencies, therefore are not a factor.

Unsecured					
Base year	Assessed value	Increment assessed value	Tax rate	Tax levy	Total Tax Levy
$ 29,620,144	$ 136,110,443	$ 106,490,299	1.00674	$ 1,072,080	$ 7,536,857
-	-	-		-	283,422
29,620,144	136,110,443	106,490,299		1,072,080	7,820,279
29,620,144	141,448,396	111,828,252	1.00156	1,120,027	7,667,434
-	-	-		-	283,301
29,620,144	141,448,396	111,828,252		1,120,027	7,950,735
29,620,144	139,613,904	109,993,760	1.00102	1,101,654	7,468,228
-	-	-		-	249,712
29,620,144	139,613,904	109,993,760		1,101,654	7,717,940
29,620,144	140,093,386	110,473,242	1.00761	1,105,859	7,457,502
-	-	-		-	-
29,620,144	140,093,386	110,473,242		1,105,859	7,457,502
29,620,144	141,643,067	112,022,923	1.01223	1,128,754	7,544,486
-	-	-		-	-
29,620,144	141,643,067	112,022,923		1,128,754	7,544,486
29,620,144	157,264,725	127,644,581	1.00420	1,277,774	7,769,031
-	-	-		-	245,928
29,620,144	157,264,725	127,644,581		1,277,774	8,014,959
29,620,144	171,154,453	141,534,309	1.03480	1,416,617	8,840,095
-	-	-		-	244,642
29,620,144	171,154,453	141,534,309		1,416,617	9,084,737
29,620,144	172,343,113	142,722,969	1.02950	1,427,229	9,269,368
-	-	-		-	249,239
29,620,144	172,343,113	142,722,969		1,427,229	9,518,607
29,620,144	203,618,295	173,998,151	1.02670	1,739,980	10,622,484
-	-	-		-	257,735
29,620,144	203,618,295	173,998,151		1,739,980	10,880,219
29,620,144	216,818,104	187,197,960	1.01602	1,871,979	11,431,856
-	-	-		-	282,199
29,620,144	216,818,104	187,197,960		1,871,979	11,714,055

Source: County of Santa Barbara, "Tax Rates and Assessed Valuations", "Assessor's Role".

Table 5

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
BUILDING PERMITS, BANK DEPOSITS AND
TAXABLE SALES - CITY AND COUNTY
Last Ten Calendar Years
(Unaudited)

	Building Permits (1)			Sales Tax (3)			
Year	Number	Value	City Bank Deposits (2)	# of City Tax Permits	City Taxable Transactions	County Taxable Transactions	City as % of County
1992	1,008	52,920,300	2,515,862,000	4,490	1,015,177,000	3,050,793,000	33.3
1993	1,169	31,295,200	2,424,468,000	4,579	1,033,998,000	3,076,825,000	33.6
1994	941	29,997,500	2,408,376,000	4,718	1,085,045,000	3,177,546,000	34.1
1995	1,154	44,700,000	2,397,912,000	4,829	1,104,519,000	3,226,206,000	34.2
1996	1,221	40,500,000	3,405,559,000	4,971	1,175,157,000	3,466,195,000	33.9
1997	2,898	71,864,802	2,400,073,000	4,996	1,253,902,000	3,614,586,000	34.7
1998	3,064	74,783,741	4,957,343,000	4,939	1,354,183,000	3,927,578,000	34.5
1999	3,133	76,267,301	5,114,390,000	4,961	1,439,155,000	4,195,291,000	34.3
2000	2,722	90,268,504	5,556,265,000	4,881	1,542,213,000	4,629,350,000	33.3
2001	2,998	64,170,362	5,727,730,000	4,869	1,580,609,000	4,953,412,000	31.9

Source: (1) Information provided by City of Santa Barbara Building Inspection Division.

(2) California State Banking Department - Research and Statistics. 1996 includes Santa Maria and Lompoc.

(3) Taxable Sales in California - State Board of Equalization - Research and and Statistics Division.

Table 6

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Ten Largest Employers - South Santa Barbara County (1)
June 30, 2002
(Unaudited)

Name	Activity	Number employed
University of California, Santa Barbara	Education	9,500
County of Santa Barbara	Government	4,467
Santa Barbara Cottage Hospital	Health Care	1,951
Raytheon/ E-Systems	Manufacturer	1,875
Santa Barbara Community College	Education	1,570
Santa Barbara High School District	Education	1,230
Sansum-Santa Barbara Medical Foundation Clinic	Health Care	1,170
City of Santa Barbara	Government	1,069
U. S. Postal Service	Postal Service	1,005
Santa Barbara Bank & Trust	Bank	820

(1) With the adoption of Article XIIIA of the California Constitution in 1978, property tax as an indicator of economic stability/dependency diminished in importance. Accordingly, the Agency has elected to depict the ten largest employers in Santa Barbara County as a measure of overall economic stability of the City.

Source: Santa Barbara Chamber of Commerce.

Table 7

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fidelity Bonds of Principal Officials
Year ended June 30, 2002
(Unaudited)

Name	Title of Official	Amount of fidelity bond
James L. Armstrong	Executive Director and Secretary	$ 5,000,000
Robert D. Peirson	Agency Treasurer	5,000,000
All other employees handling money affiliiated with the Agency	-	5,000,000

Source: City of Santa Barbara Risk Management

Compliance and Internal Control Section

Compliance and Internal Control Section

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG
PAULDEN MCCOWN STARBUCK & KEETER
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Bradley M. Hankins, CPA
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Connie M. Perez, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE (INCLUDING THE PROVISIONS CONTAINED IN THE GUIDELINES FOR COMPLIANCE AUDITS OF REDEVELOPMENT AGENCIES) AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

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

We have audited the accompanying general-purpose financial statements of the Redevelopment Agency of the City of Santa Barbara, California (the "Agency"), a component unit of the City of Santa Barbara as of and for the year ended June 30, 2002, as listed in the table of contents, and have issued our report thereon dated September 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Section 33080.1(a) of the Health and Safety Code of the State of California, and the procedures contained in the Controller of the State of California "Guidelines for Compliance Audits of California Redevelopment Agencies."

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

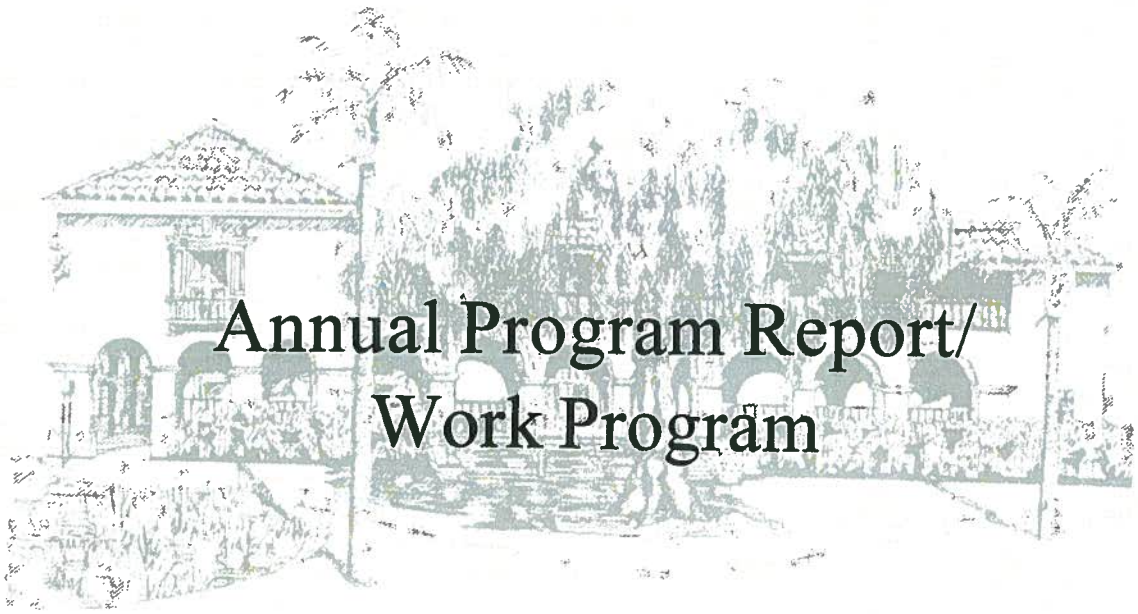
In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

MEMBER of SEC Practice Section of the American Institute of Certified Public Accountants

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

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
September 4, 2002



Annual Program Report/ Work Program

Annual Program Report/Work Program

(Not covered by Auditor's Report)

INTRODUCTION

This report, covering Fiscal Year ending June 30, 2002, 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 2002.

CENTRAL CITY REDEVELOPMENT PROJECT AREA

DOWNTOWN SIDEWALK AND LANDSCAPING

Background

In Fiscal Year 1994, the State Street Landscaping Task Force (Task Force) developed guidelines intended to bring a sense of order and vision to the future changes proposed for the State Street Plaza. These guidelines encompass a range of issues related to both the aesthetic nature of the street and the practical needs of property owners, merchants, residents and visitors to Santa Barbara. In FY 97 the Agency identified the project to replace the sidewalks and landscaping on State Street from the 600 Block through the 1200 Block. This section was chosen because the sidewalk is over 25 years old and subject to high pedestrian activity.

The goals of the State Street Sidewalk Improvement Project are to improve pedestrian circulation and safety, improve business visibility, maintain and enhance landscape diversity, acknowledge significant architectural features of buildings, provide amenities for the comforts and convenience of pedestrians, and thereby provide a pedestrian friendly State Street Plaza. In Fiscal Year 1999, the Redevelopment Agency Board appropriated funds for sidewalk and landscaping enhancements along State Street from the 600 Block to the 1200 Block. It was anticipated that these sidewalk and landscaping improvements would take place on an annual basis until completed.

Phase I and Phase II of the State Street Sidewalk Improvement Project, constructed in 1999 and 2001, respectively, covered the 1200, 1100, 1000, 900, and 800 Blocks of State Street, between Victoria Street and De la Guerra Street. The Redevelopment Agency funded the basic project, which included replacement of the existing sidewalks with colored and patterned concrete and landscape improvements. Property owners in Phase I expressed a preference for an enhanced project, which would include brick pavers and a holiday lighting system. As a result, a Public Works Benefit Assessment District was formed to provide funding for the added cost associated with the enhanced project. Similar to Phase I, property owners in Phase II and Phase III expressed a preference for an enhanced project. As a result, on July 18, 2000, property owners in the 600, 700, 800, and 900 Blocks of State Street supported the formation of a Public Works Benefit Assessment District, which will result in a consistent, pedestrian friendly State Street Plaza from Cota Street to Victoria Street.

Phase III

Phase III of the State Street Sidewalk Improvement Project included sidewalk and landscaping improvements to the 600 and 700 Blocks of State Street, between Cota Street and De la Guerra Street. The design team of Penfield & Smith Engineering and Arcadia Studio, landscape architects, was awarded a contract for $117,000 by the City of Santa Barbara to develop a preliminary design for the project as part of Phase III. In June 2001, the City awarded a final design contract to the same design team for $115,500.

The redesign of the State Street sidewalks is consistent with the sidewalk and landscape improvements completed in the 800 through 1200 Blocks of State Street (Phase I and II) completed in 1999 and 2001, respectively. Activities in Fiscal Year 2001 consisted of the completion of preliminary design and the beginning of the final design.

The total appropriated for construction for Phase III (600 and 700 Blocks) was $1,705,355. The construction contract was awarded to Lash Construction on January 8, 2002 in the total amount of $1,598,594. Also awarded at that time was a professional construction support services contract to Penfield and Smith for a total of $94,006. Fugro West was awarded the contract for soils and concrete testing for $7,000. Science Applications International Corporation was contracted for archaeological work for $5,755. As in the prior construction phases, the Downtown Organization mounted an aggressive promotional campaign to ensure public awareness of "business as usual" within the project area. Their grant totaled $46,000. The Downtown Organization's 17-week campaign started two weeks prior to construction and included weekly merchant meetings, publicity, advertising, entertainment and the grand opening celebration. The City's Public Works Department received over $71,000 for their role in providing

construction administration services. The Phase III basic project was funded by the Agency's tax allocation bond proceeds (Series 2001A) that became available in July 2001.

A subcomponent of Phase III was an art bench designed by local artist, Donald Davis. In July 2001, the City Visual Arts Coordinator circulated a Request for Qualifications for the Bench Project to replace a planter in the 600 Block of State Street. A selection committee comprised of an Agency Boardmember, an Old Town Merchants Association member, the Santa Barbara County Arts Commissioner, and project landscape architect Bob Cunningham chose Donald Davis from a field of three qualified artists. The Redevelopment Agency guided the design process, which was approved by the Historic Landmarks Commission. The artist developed a scale model, provided a sample of the sculpted brick and oversaw the installation of the bench. The artist received $12,000 for his work.

Phase III of the project began in the last week of January. The sidewalks were opened to the public in time for the Memorial Day weekend. Construction hours accommodated periods of high public use and the popular Farmer's Market had to shift up to the 500 blocks during construction. Teak benches, several drinking fountains, unique trash receptacles and bike racks enhance the sidewalks. A new kiosk was constructed at the southwest corner of Cota and State Street. Three new pads to accommodate the State of the Art sculptures were constructed. The fountain in the 600 Block of State Street was redesigned in keeping with the overall sandstone and brick plan. Sandstone medallions mark the mid-Block crosswalks. A gala grand opening was held in the afternoon on Saturday, June 8, 2002.

916 STATE STREET PUBLIC RESTROOMS AND FOUNTAIN

Early in the 1990's, the Agency attempted to respond to problems presented by a lack of public restrooms by funding a public restroom in the downtown area. Other funding priorities arose and the project was put on hold. The recently completed State Street Sidewalk Improvement Project renewed interest in the public restroom project due to the increasing pedestrian and economic activity along the State Street corridor. In January 2001, the engineering firm of Howard and Van Sande was retained as the prime design consultants for the public restrooms to be located at 916 State Street. This site is between Borders Books and Music and the Fiesta Five Theatres and will be integrated into façade the City Parking Structure #9. The local artist, Colin Gray, will transform a nearby structural pillar of the parking garage into a fountain. The restroom and the fountain have received final approval from the Historic Landmarks Commission. Final design and construction of the fountain and restroom has been estimated to be $700,000. Construction is tentatively scheduled to begin in January 2003 and last approximately four months.

STATE STREET PEDESTRIAN CROSSWALKS

The Agency has allocated $90,000 for replacing significantly damaged pedestrian crosswalks at State Street intersections and mid-blocks in the 400 and 500 blocks of State Street and the State Street and Cabrillo Boulevard intersection. The 600 Block crosswalks were replaced with brick as part of Phase III of the State Street Sidewalk Improvement Project. The 400 and 500 Blocks have been postponed so construction would not coincide with the summer tourist season. A more accurate estimate has priced the crosswalks at $25,000 per crosswalk. An additional $275,000 in additional funding has been budgeted in the Fiscal Year 2002-2003 budget.

NEWS-RACKS

At mid-year, it was determined that the older newsracks on lower State Street and at State and Cabrillo Boulevards were no longer repairable and needed to be replaced. The newsracks would be the same style as those purchased and installed by the Redevelopment Agency as part of the State Street Sidewalk Improvement Project in the 600 through 1200 Blocks of State Street. In compliance with the Municipal Code and to maintain the appearance of these aesthetically sensitive areas, the Redevelopment Agency purchased 8 two-unit newsracks for the 400 and 500 Blocks of State Street and 3 four-unit newsracks for the State Street and Cabrillo Boulevard location. The Agency funded the purchase and the installation for $41,000. All of the newracks were in place by early June.

GRANADA GARAGE

The project is in final design and expected to be in construction within the next fiscal year. The team of Wilbur Smith and Associates and Penfield and Smith are the design professionals contracted for the final design. The Lot 6 parking structure, or Granada Garage, will include the following: 575 parking spaces, paseo improvements, a mid-block traffic signal on Anapamu Street, Downtown Parking office space, and an affordable housing component. The Agency is using $19,000,000 from the Series 2001A bond proceeds to fund the project.

CULTURAL ACTIVITIES

CULTURAL ARTS DISTRICT PLAN

Funding has been allocated for the professional studies needed to complete the Cultural Arts District Plan, which intends to plan for the development and/or renovation of performing arts venues, movie theatres, public cultural venues, and paseos and plazas on and around State Street north of Carrillo Street. Required professional studies include economic/fiscal analysis, traffic analysis, and environmental impact analysis. Meanwhile, the Agency will co-sponsor a Cultural Development Symposium in July 2002 to created an opportunity for Santa Barbara's many cultural arts groups and facilities users to engage in a dialogue with members of the local business, planning and design, government, and philanthropic communities about the historical and continuing critical role of the arts in the evolution of Santa Barbara's vibrant economy. The symposium will be followed by a half-day brainstorming session to be scheduled in September 2002.

STATE STREET SCULPTURE GALLERY

The State of the Art Gallery is a unique collaboration between the City and County of Santa Barbara and the Downtown Organization and is part of the City's commitment to placing public art in the heart of its Cultural Arts District. This Fiscal Year, the Agency granted $75,000 to the County Arts Commission. The increase of $10,000 over previous years reflects that more sculptures were exhibited and an increase in insurance and curatorial rates. This year the State of the Art Gallery featured works by internationally recognized sculptor William Tucker. Many of the bronzes were part of an exhibit of Tucker's work at the Tate Gallery in London last year. Paul Hayes Tucker (no relation to the artist) curated this year's exhibition.

SURPLUS LOT 6 PROPERTIES

As part of the Agency's effort to contribute to cultural activities in the Agency's Project Area, the Agency is considering the acquisition of 9 small parcels with access to the 1200 Block of State Street. In June, the Agency engaged Reeder, Gilman and Associates for appraisal services regarding the surplus properties surrounding City Parking Lot 6 currently being leased by the City for extra parking spaces. The appraisals are the first step in the negotiations by the Agency to acquire the parcels. The Agency has appropriated $700,000 to assist in the development of these properties.

LOBERO

The Lobero Theatre Foundation indicated to the Agency a need to raise over $2,000,000 to complete necessary technical and capital improvements to the theater's lighting, rigging, sound systems and physical plant. The Agency budgeted a matching grant of $600,000 to the Lobero Theatre Foundation as a contribution to the cost of technical and capital improvements. The Agency's contribution was a catalyst to help complete Phase 2 of the Lobero's Capital Improvements Master Plan fundraising campaign. The funds were used for the complete renovation of the Lobero's rigging.

PLAZA DE LA GUERRA MASTER PLAN

Realizing the community importance of Plaza de la Guerra, the Agency funded Phase III of the Master Plan process. Phase III includes the development of a master plan and its presentation to the City Council for incorporation into the City's General Plan and El Pueblo Viejo Guidelines. The original grant for $35,000 was allocated in Fiscal Year 1999-2000. Phase I included the production of a high quality book that serves as the official record of all the historic papers, essays, architectural drawings, and historical photographs of Plaza de la Guerra. In October 1999, the Santa Barbara Trust for Historic Preservation was granted $12,500 for the production of the book. The book "Plaza de la Guerra Reconsidered" has been published and circulated by the Santa Barbara Trust for Historic Preservation. In December 2000, the Agency Board granted the Downtown Organization $12,500 to complete the second phase of the Plaza de la Guerra Master Plan. The purpose of Phase II was to gather input and identify issues about future improvement and use of the Plaza by holding professionally facilitated stakeholder meetings. In early 2001, the Downtown Organization, working with Agency and City staff, convened a "Core Group" of key participants in and around Plaza de la Guerra to begin Phase II of the master plan process. The Core Group includes property owners of parcels adjacent to Plaza de la Guerra, and representatives from the Parks and Recreation Commission, Historic Landmarks Commission, the Santa Barbara News Press, the Downtown Organization, the Santa Barbara Conservancy and representatives from City Council, the City Administrator's Office, Parks and

Recreation Department, and the Redevelopment Agency. This group has met seven (7) times in the last year in their efforts to design a process that is inclusive and considerate of various viewpoints and issues associated with upgrading Plaza de la Guerra. The Core Group has worked collaboratively toward the common goal of improving Plaza de la Guerra with simple, people-oriented improvements to the infrastructure and programming to help celebrate Plaza de la Guerra's role as a vital part of the community. In March 2002, the Downtown Organization received a grant for the final $10,000 from this fund to initiate a General Plan Amendment for Plaza De La Guerra. The Master Plan will provide the City with a clear direction for improving the entire area including landscape, hardscape, and parking.

CASA DE LA GUERRA

In Fiscal Year 2000, the Santa Barbara Trust for Historic Preservation was awarded a grant of $100,000 for restoration activities at the Casa de la Guerra that focused on Room 1 of the West Wing, the Utility Room, an archaeological report, and the Street in Spain portions of Casa de la Guerra. The $144,000 grant from Fiscal Year 2002 is being used for roof work on the East and West Wing, new Entrance Steps, historic door handles, repair the stone foundation on Street in Spain side, and finish work on Rooms 1, 2, 3 and 4 to complete the restoration of Casa de la Guerra and thereby provide the cultural anchor for Plaza de la Guerra, the cultural and historic center of Santa Barbara.

EL PRESIDIO

The Santa Barbara Trust for Historic Preservation received an Agency grant of $120,000 to complete archaeological work and additional construction work at the Northwest Corner of El Presidio Santa Barbara. This will include a detailed cataloguing of artifacts followed by written reports of the findings. The grant was increased by $20,000 over the original proposal due to the inclusion of the Northwest Corner construction work. The archaeological work will enable the reconstruction of the second defense wall. The defense wall is nearly 300 feet in length and spans from Santa Barbara Street to the northwest corner of El Presidio.

CENTER STAGE THEATER

In February, the Agency granted the Center Stage Theater $9,000 to provide funding to replace the theater's performance soundboard power source and replace the performance lighting fixtures. Under the lease agreement between The Taubman Company and Center Stage Theater, Taubman provides a $40,000 annual operating subsidy to Center Stage on a matching grant basis; therefore, funding provided by the Agency will have the added benefit of assisting Center Stage Theater in achieving its matching requirement.

HOLIDAY ART SCULPTURES

In September 2001, the Downtown Organization requested an Agency matching grant for $6,000 to assist in the construction and installation of three public, holiday art pieces. The pieces were installed along State Street in the Cultural Arts District and acted as another special holiday season attraction for the Downtown Business Community and the Central City Redevelopment Project Area. The pieces were endorsed by the Visual Art in Public Places Committee and received approval from the Historic Landmarks Commission as "temporary art." The three pieces were created by local artist Dominique Reboul. The whimsical pieces were titled the Tightrope Walker, the Circus Juggler, and the Dancing Bear and were approximately 16 feet tall and composed of steel, galvanized steel, and aluminum. The pieces were installed in three separate locations along State Street in mid-November (following the conclusion of the State of the Art exhibit and made use of the existing art pads) and were removed in late-January.

CHILDREN'S DISCOVERY MUSEUM

In May 2002, the Agency approved a matching grant of $25,000 to assist the non-profit Children's Discovery Museum with a feasibility study. The feasibility study will have the following components: market analysis, needs assessment and concept development, a program plan, a staffing plan, and a space and facility requirements analysis. The study will consider a site on East Anapamu Street adjacent to City Parking Lot 6 currently leased to the City for use as a parking lot and an additional potential site, but the majority of the analysis will be applicable to Santa Barbara in general.

DOWNTOWN ORGANIZATION CULTURAL PROMOTIONS

The Downtown Organization has requested and received funding to promote the Cultural District of State Street North of Carrillo Street to counteract the decline in activity in that area as measured by the City's 1999 report, *Economic Analysis: North of Carrillo.* Activities conducted by the Downtown Organization have included extensive media, film, and print campaigns to promote downtown as the region's primary arts, dining, and retail center. The Agency budgeted $35,000 for Cultural Promotions during the Fiscal Year 2002.

WATERFRONT AREA

SANTA BARBARA RAILROAD STATION IMPROVEMENT PROJECT

A considerable amount of capital remains in the account (approximately $210,000) primarily for the possible renovation and replacement of the Rail station floors. Different portions of the original project revealed apparent dry and wet rot of the sub-flooring. Staff is awaiting a proposal from Eagle Restoration regarding possible solutions to the flooring. Also, numerous minor issues continue to arise at the station including repairs to the drainage system, which include drainpipe retrofitting and attic dry rot repair. The Railroad Depot recently received California Preservation Foundation's prestigious Historic Preservation Award for 2001.

SIGNALMAN'S BUILDING

The Agency applied for and received California Transportation Commission funding in the amount of $172,000 to develop the Signalman's Building into a small railroad museum and a visitor information center annex. Caltrans Transportation Enhancement Activities (TEA) funding criteria allow for their use in the development of transportation museums. Originally, the Chamber of Commerce and the Agency had been planning to develop a larger Visitor Center for this property, but the Visitor Center will now be incorporated into a private project under development in the same area. A small visitor information annex would be advantageous for arriving passengers at the City-owned Railroad Station. Previously, the Agency set aside $25,000 as matching funding for the development of the Signalman's Building. A required Section 106 Study is being completed in order to receive the Caltrans funding. The Agency has contracted with Alex Cole Associates to perform the study.

HISTORIC RAILROAD SPUR

The Agency meanwhile has applied for Caltrans funding for the development of the Historic Railroad Spur with a restored rail car for potential use as either a display center or for meetings. The project has met Caltrans eligibility requirements and is now being processed for formal selection for funding. The Caltrans matching grant would be an estimated $350,000. The Agency has allocated $46,000 in matching funds towards the development of the Historic Railroad Spur.

RAILROAD SOUTH PARKING LOT

When the development plans for the Railroad Station Improvement Project were approved, a 47-space parking lot was to be constructed on the parcel just south of the railroad tracks (125 State Street). In 1996, the Chamber of Commerce approached the Agency with a request to develop a new visitor center on this lot instead. The Agency agreed, and the design of a visitor center was underway when the construction cost estimate came in substantially higher than expected. In May 1999, the Agency decided to participate as a co-applicant in a private development at the corner of State Street and Cabrillo Boulevard, called La Entrada, and incorporated the proposed Visitor Information Center for the Chamber of Commerce into this project thereby allowing the site to be developed as a parking lot as originally approved. The engineering firm of Flowers and Associates produced the preliminary redesign. The inclusion of a paseo walkway and increased landscaping and a more pedestrian-oriented design has resulted in a reduction from 47 to 40 proposed parking spaces. The final design team consisted of Flowers and Associates, Associated Transportation Engineers, and David Black and Associates, Landscape Architects, for a total contract amount of $47,583. The lot design has secured the Historic Landmarks Commission approval. The project is on-hold pending the status of the private La Entrada project. The Agency has reserved $450,000 for the development of the parking lot.

RAILROAD ANNEX PARKING LOT

Agency Staff and project engineers are developing plans for the redevelopment of a parcel recently acquired from Caltrans at 235 State Street. The parcel will be developed into an additional arm of the Railroad Station Parking Lot and will provide an additional 40 parking spaces. Flowers and Associates prepared a preliminary design, which received preliminary approval from the Historic Landmarks Commission on March 6, 2002. Construction is scheduled to begin in January 2003 and last three and one half months. Meanwhile, the old lot has been temporarily re-striped to provide adequate parking and safety during construction. Upon completion of the parking lot renovations, the Agency will prepare a Redevelopment Parcel map for the entire train depot area. The Agency has allocated $500,000 for the final design and construction.

BORGATELLO PROPERTY

The Agency had the opportunity to acquire four adjoining parcels in the waterfront area in April 2001. The Agency purchased these four parcels with the potential of future acquisition of three more parcels also owned by the Spumoni Holding Company. The City loaned the Agency $2,875,000 for the purchase. The loan was paid off with a portion of the proceeds from the Series 2001A bond issued in July 2001.

Meanwhile, a comprehensive planning effort is underway to determine the ultimate use of the four original parcels totaling 2.4 acres at 125 Calle Cesar Chavez. A determination is being made whether to go forward with a proposed extension of Cacique Street, which would require a significant amount of the area of the present parcels or construct a multiuse path instead. Some of the uses suggested to date include the development of a community arts center - housing performing arts rehearsal space and art workspace, remote parking for the Cacique Street homeless shelter, an Urban Ecology Center and recycling facility, and various recreational and social service uses.

OTHER ACTIVITIES

TRANSPORTATION MANAGEMENT PROGRAM

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 programs that combines disincentives for single occupant automobile use with incentives for alternative modes of transportation. This program is 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 work places. The annual contribution is used to underwrite the downtown and cross-town shuttle buses.

SOUTH COAST COMMUNITY INDICATORS

The Agency provided $4,000 as partial funding of a statistical report that measures the quality of life indicators on the South Coast. The report is published annually. The data produced is helpful to the Agency in planning its activities that address blight in the Project Area.

AGENCY'S AFFORDABLE HOUSING PROGRAM

4200 CALLE REAL (ST. VINCENT'S)

Mercy Charities Housing California (Mercy Charities), a State-wide nonprofit housing developer, proposes to build a 75-unit rental housing development for low- and very low- income families plus a 95-unit development for seniors on the site of the former St. Vincent's School, a 19-acre site in the unincorporated County near Highway 154 and Calle Real. The Agency provided Mercy Charities with an $87,000 deferred predevelopment loan and Santa Barbara County has provided a $25,000 predevelopment loan. The Agency and the State are considering providing additional predevelopment assistance later in the year. The annexation of the site into the City is pending. The design of the project is complete. The Agency has budgeted $7 million for the project and the County has committed $2.5 million. The majority of the remaining funding is expected to come from four percent tax credits and HUD 202 funds. If Mercy Charities is successful in securing the needed funding, construction will start in 2003.

335 WEST CARRILLO/922 CASTILLO STREET (CASA DE LAS FUENTES)

The City's Housing Authority is in the process of constructing 42 new one-bedroom and studio apartments on this site. The City is encouraging construction of new housing downtown for people working in the area in order to reduce dependency on automobiles and traffic congestion. The Agency has provided $1.9 million in grant and loan funds for construction plus $600,000 in California Housing Finance Agency HELP funds for predevelopment/short-term gap financing. The Housing Authority expects construction to be completed and the units occupied by January 2003.

315, 319 and 321 WEST CARRILLO STREET

The Agency recently provided the City's Housing Authority with a $1.75 million loan for acquisition of property adjacent to their Casa de las Fuentes project described above. The Housing Authority is considering developing a single-room occupancy facility on the half-acre site. Project design and planning for the needed financing will begin shortly.

309 – 319 SOUTH VOLUNTARIO STREET

The Agency and City have provided grant funds to the City's Housing Authority to acquire three under-utilized properties for the construction of new affordable housing. The Housing Authority has demolished two dilapidated abandoned single-family structures. The third single-family structure was previously converted to three units, which are occupied by low-income households. The Housing Authority will manage them until construction commences on the new project. In removing the three single-family structures, the Housing Authority will be able to construct 20 new low-income units. Project design is complete, however, financing plans are still under consideration.

705 OLIVE STREET

The Agency and City provided financial assistance to the City's Housing Authority for the demolition of a dilapidated single family home in order to build a new triplex unit. The City is encouraging the construction of new housing downtown for people working in the area in order to reduce dependency on automobiles and traffic congestion. The Agency provided California Housing Finance Agency HELP funds for predevelopment/short-term gap financing. The City used federal funds to provide a grant for construction. The Housing Authority has completed construction and the project is fully occupied.

818 GARDEN STREET

Laguna Cottages, a local nonprofit organization that provides low-income seniors with affordable housing, plans to construct 11 new senior studio units adjacent to their existing 44-unit senior facility. The City and Agency have provided $867,000 in grants, and Laguna Cottages has raised an additional $1 million in private grants to develop the new units. The grants will result in rents that will be affordable to very low-income seniors. The design is complete, and construction is expected to start later in the year.

1221 ANACAPA STREET

The Agency selected Peoples' Self-Help Housing Corporation through a Request for Proposals process for the development of new affordable housing adjacent to a new parking structure to be built downtown. Peoples' is a large nonprofit housing organization based in San Luis Obispo, with a local office in Santa Barbara. The Agency has committed to providing a predevelopment loan for the project, and the City has committed to providing permanent financing. Design for the 8 to 12 unit project is underway, and construction is expected to start in 2004.

210 WEST VICTORIA STREET / 219 WEST SOLA STREET

Peoples' Self- Help Housing Corporation plans to add 6 new apartments to a small bungalow cottage court on this site. The City and Agency assisted Peoples' with the acquisition and rehabilitation of the cottages and have provided predevelopment loans to help cover the costs of designing the new units. Additional City and/or Agency funds will be needed for construction. Construction is expected to commence in 2003.

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

The Agency provided Transition House with a $320,000 loan for the acquisition of 421-425 E. Cota Street, consisting of two mixed-use buildings – one with nine occupied residential units and ground floor commercial space, the other a former restaurant. Transition House operates a nearby homeless shelter and offers training programs for its clients. Transition House acquired the property in order to expand its inventory of affordable housing available to families ready to leave the homeless shelter. As current tenants leave their units at 421 East Cota Street through normal turnover, Transition House makes them available to their clients. The building that housed the former restaurant has structural problems and will be demolished in order to make way for a new structure planned by Transition House that will feature space for day care on the ground floor and additional affordable housing on the upper two floors. Upon design of the new structure, Transition House plans to request additional Agency funding for the new construction.

22 EAST VICTORIA STREET (VICTORIA HOTEL)

The City provided loans and grants to Peoples' Self- Help Housing Corporation (PSHHC) for the acquisition and rehabilitation of the Victoria Hotel. Originally built as a tourist hotel and later converted to single-room occupancy (SRO) use, the hotel had been placed on the market. By assisting Peoples' in the acquisition of the property, the City succeeded in saving this rare downtown SRO hotel from almost certain conversion to office or tourist hotel use. The rehabilitation is extensive and includes seismic retrofitting throughout the structure. Peoples' has completed the hotel's rehabilitation and created a regional office for their organization on the ground floor. Agency funds have not been used, however, Agency staff was actively involved in arranging City financing for the project.

320 SOUTH SALINAS STREET

The City provided Transition House with financial assistance for the acquisition and rehabilitation of a 13-unit property located at 320 S. Salinas Street. Transition House acquired the property in order to expand its inventory of affordable housing available to families ready to leave the homeless shelter Transition House operates. Transition House has rehabilitated the existing 13-unit building with tenants in place. As units become vacant through normal turnover, Transition House makes them available as permanent housing to their clients. The site is large and can accommodate new construction. The design for 6 new units has been completed, and the City has provided Transition House with a $480,000 low-interest deferred loan for construction. Transition House expects to start construction later in the year. Agency funds have not been used, however, Agency staff was actively involved in arranging City financing for the project.

CELEBRATION OF AFFORDABLE HOUSING

The Celebration of Affordable Housing, spearheaded by the Unitarian Society's Social Concerns Committee, was held on September 28, 2001. The public was invited on guided tours of several affordable housing developments in the south coast area. The Agency's contribution was $5,000 and the event was a success.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT - FISCAL YEAR 2003

(Not covered by the Auditor's Report)

INTRODUCTION

This report, covering the projected program year for the fiscal year ending June 30, 2003, 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 2003 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2003, including reappropriations from prior year balances.

FISCAL YEAR 2003 WORK PROGRAM

HOUSING PROGRAMS FUND PROJECTS

Housing Revolving Fund: *$3,070,000*

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:

West Downtown Improvement Program: *$50,000*

Funds in Fiscal Year 2002-2003 to be used for planning, survey costs and facilitated public meetings to develop the infrastructure Improvement Plan.

Property Management: *$85,000*

Funds for 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: *$20,000*

Funds to investigate, characterize and clean up toxic contaminants on Agency-owned properties.

Downtown Organization Cultural Promotions 2003: *$58,500*

Funds for an extensive media promotion of the downtown's cultural and historic components.

Downtown Organization Holiday Art Gallery 2003: *$32,800*

Funds to complete the Holiday Art Gallery with five additional pieces, for a total of eight holiday art pieces.

Santa Barbara Maritime Museum: *$500,000*

Funds to be used for the creation of four interactive exhibits including: Safety at Sea, Navigation and Piloting, Surfing, and the Channel Islands.

SB Trust for Historic Preservation - El Presidio 2003: *$250,000*

Funds for the Northwest Corner Construction Project. Activities will include reconstruction of the original Presidio defense wall, restrooms, and four additional rooms including the Visitor Center.

SB Trust for Historic Preservation - Research Center 2003: *$50,000*

Funds to assist in the complete restoration of the Research Center building. The Research Center building is a City-designated historic structure of merit located at 215 East Canon Perdido adjacent to the Alhecama Theater.

Pearl Chase Society: *$28,000*

Funds for the promotion of the 28th Annual California Preservation Conference that will take place in April 2003. The Conference is being sponsored by the Pearl Chase Society and will include a reception at the Historic Train Depot.

Contemporary Arts Forum: *$17,500*

Funds for capital improvement at CAF's Library Gallery located in Paseo Nuevo. Improvements will include reconfiguration of the ceiling, creation of a reception desk, and general lighting improvements.

South Coast Community Indicators Project: *$4,000*

Funds for the partial cost of an annual statistical report that measures quality of life indicators on the South Coast. The data produced is helpful to the Agency in planning its activities that address blight in the Project Area. The City contributes $6,000 of the total cost of $70,000.

Appropriated Operating Reserve: *$50,000*

REDEVELOPMENT CAPITAL FUNDS PROJECTS

Carrillo Street Sidewalk Construction Project: *$500,000*

Funds allocated for Public Works to use in sidewalk, curb, and gutter replacement on Carrillo Street from Chapala to Anacapa Streets.

916 State Street Restrooms/Fountain: *$175,000*

Additional funding for final design and construction for public restrooms including a public fountain proposed in the paseo between Borders Books and Fiesta Five Theatres/City Parking Structure #9.

State Street Pedestrian Crosswalks: *$275,000*

Additional funding to replace nine damaged pedestrian crosswalks on State Street intersections and mid-blocks at a cost of approximately $25,000 per crosswalk.

State Street Sidewalks Phase I Modifications: *$150,000*

Funds to remedy a number of items that were either not included in Phase I due to budget constraints or were not competed in a manner consistent with Phase II and III.

Downtown Recycling Container Program - Phase I: *$200,000*

Funds for Public Works use in a project to replace public trash containers with containers that include a recycling element. The first phase focuses on the primary downtown corridors.

Carrillo Recreation Center Restoration: *$100,000*

Funds to assist the Parks and Recreation Department in the various studies that will lead to the complete exterior and interior restoration of the Carrillo Recreation Center and Gymnasium.

Lower State Street Public Restrooms: *$550,000*

Funds to design and construct proposed public restrooms in an undesignated location along lower State Street.

Louise Lowry Davis Center Restoration: *$350,000*

Funds to assist the Parks Department with the interior and exterior renovation of the Davis Center including making the Center ADA compliant.

Spencer Adams Parking Lot and Site Improvements: *$150,000*

Funds to assist the Parks Department with various parking lot and site improvements at the lawn bowling center.

Fig Tree Park Improvements: *$150,000*

Funds to extend the existing sidewalk around the park fronting Montecito Street and around the entrance to the Railroad Station and for additional signage and ADA accessibility compliance.

Railroad Station Improvement: *$200,000*

Funds to complete the renovation of the station sub-flooring and replacement tiling.

Chase Palm Park Wisteria Arbor: *$580,000*

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.

Artist Workspace: *$1,000,000*

Funds designated in Fiscal Year 2000-2001 to be used for supporting an artist workspace when appropriate locations have been identified.

Plaza Vera Cruz Park: *$77,000*

Funds for improvements to an existing downtown park located between Haley and Cota Streets. Improvements will include a new handicap accessible playground, drinking fountain, benches, and various landscaping improvements. The Park Department is working on a conceptual design and holding neighborhood meetings.

BOND CAPITAL PROJECTS

Lot 6 Parking Structure - Design and Construction: *$19,000,000*

Funds for the design and construction of a public parking structure, Granada Garage, that includes 575 parking spaces, paseo improvements, a mid-block traffic signal on Anapamu Street, the Downtown Parking office space, and an affordable housing component.

Opportunity Acquisition Fund: *$5,027,000*

Funds for opportunity purchases of property in the Project Area to be used for public-benefit development consistent with the Redevelopment Plan. The Agency used $2,875,000 of the original $8,000,000 to pay off a loan from the City used to acquire four parcels from the Spumoni Holding Company.

Ensemble Theater: *$2,500,000*

Funds designated for predevelopment and construction costs of a jewel box theater as well as Agency-related obligations for installation of public paseos around the theater development and potential costs related to the acquisition by the Agency of the privately-owned City-leased surface parking lots.

Granada Theater: *$3,000,000*

Funds requested by the Santa Barbara Center for Performing Arts in order to acquire and renovate the Granada Theater as proposed in the concept of the Cultural Arts District Plan that is in the process of being formulated.

Mission Creek Flood Control Enhancement: *$2,500,000*

Funds to augment the Army Corps of Engineers-funded flood control project for Mission Creek. Enhancements could include acquisition of property for creek open space and pocket parks, landscaping, aesthetic treatment of historic bridges and pedestrian paths.