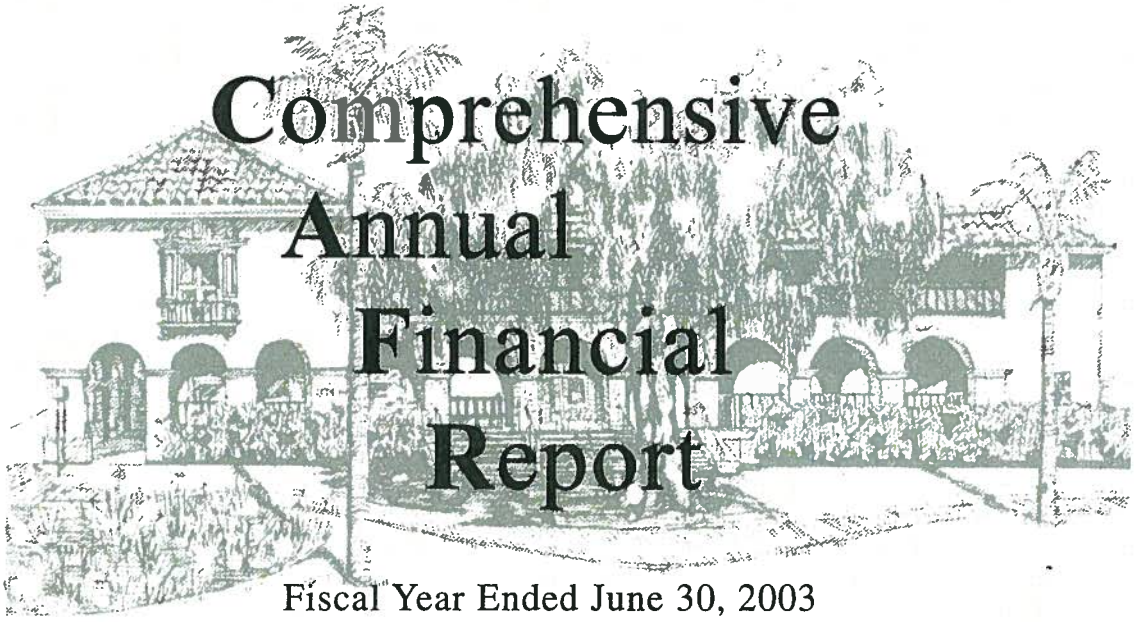
City of Santa Barbara
California
Redevelopment Agency

A Component Unit of the City of Santa Barbara



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003

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, 2003

ROBERT D. PEIRSON, AGENCY TREASURER

Introductory Section

Introductory Section

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2003

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Fiscal year ended June 30, 2003

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City of Santa Barbara

California

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October 1, 2003

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, 2003 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 four 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

Local property taxes, the largest revenue source of the Redevelopment Agency, continue to increase although at a slower rate than the previous two years. The residential real estate market in Santa Barbara has been very active during the last few years. The median price of residential real estate on the South Coast, which includes Goleta, Santa Barbara, Montecito and Carpinteria, has topped the $800,000 barrier. 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.

Numerous operational challenges await the Redevelopment Agency. Beginning in the fall of 2002, Agency staff began 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 determined that the most appropriate mechanism to accomplish these tasks was to develop a Redevelopment Agency long-range capital improvement program (RDA CIP). The first step in the RDA CIP was to solicit appropriate project proposals from various City Departments. Over 20 proposals were submitted and began the review process for compliance with Community Development Law. However, the process was put on hold in November due to the looming State budget issue. The process was begun anew as the State budget for FY 2004 was being approved. Agency staff plans on having the RDA CIP in place by the end of the calendar year.

MAJOR INITIATIVES

State Street Pedestrian Crosswalks

The Agency allocated $90,000 in Fiscal Year 2002 and an additional $275,000 was budgeted in the FiscalYear 2003 budget to replace 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 sidewalk material surrounding the Dolphin Fountain at the foot of Stearns Wharf was also replaced. Construction on the 400 and 500 blocks was postponed to avoid conflict with the summer tourist season. Although each block was closed to vehicle traffic during construction, disruption was minimized by conducting the work one block at a time. The sidewalks remained open continuously for pedestrians. The crosswalk project was completed before the busy Memorial Day weekend. The total project cost was $320,086.

Downtown Recycling Container Program – Phase I

In September 2002, Council approved Solid Waste Policies, Principles, Goals and Strategies, which includes the goal of becoming the recycling leader in the State of California. As part of that strategy, the Redevelopment Agency funded the first of a four-phase program to replace existing public trash containers with new ones that provide capacity for recycling. The targeted areas within the Central City Redevelopment Project Area for Phase I of the program include: State Street, from Victoria Street to Cabrillo Boulevard, and two adjacent blocks to the west (De La Vina), and east (Santa Barbara Street). Phase I replaces 70 existing Historic Landmarks Commission (HLC)-approved trash containers with an HLC-approved cluster of recycling, trash and cigarette butt receptacles. The new receptacles are made out of recycled stainless steel and the old containers will be refurbished for use in various City parks. The new receptacles began to be seen in the downtown corridor in May 2003. The Agency Board budgeted $200,000 to cover the new containers and their installation.

Granda Garage

In March 2001 the City Council approved the development of the Granada Garage. The Granada Garage will be a six level parking (two levels below ground) structure with 575 parking spaces and will include offices for the Downtown Parking Operations, a bike station and eight to twelve housing units. The architecture of the garage will be Mediterranean in style and will feature new paseos and landscaping surrounding the structure. The garage will be located at the present site of the Lot 6 surface parking lot (corner of Anacapa and Anapamu) and will provide much needed parking for the local businesses located north of Carrillo Street. The project went through the bidding process but the bids were significantly higher than the estimate and the allocated funding. All of the bids were rejected and the project is currently being redesigned in order to comply with budget constraints. To date, the design and initial construction phases have cost slightly over $2,000,000 in Redevelopment funds. The Agency has $17,000,000 remaining from the Series 2001A bond proceeds to fund construction.

West Downtown Improvement Program

Since 20 years had elapsed since the last assessment study was completed on the West Downtown area, that portion of the Central City Redevelopment Project area bordered by Carrillo Street on the north, Highway 101 on the west and south, and Chapala Street on the east, it was determined that a current assessment was needed. In November 2002, the RDA held two widely-noticed public meetings that included about 40 participants from the community. The purpose of the meetings was to present and solicit suggestions that would improve the West Downtown neighborhood and to get feedback and a sense of priority about the suggestions. The suggestions staff presented at the meetings were based on comments made by members of the Westside Community Group and Westside Community Advisory Committee at their meetings held in October 2002. A high percentage of the participants at both meetings had similar concerns relating to the livability of the West Downtown neighborhood: improved street lighting, repaired sidewalks, more open or park space, trash receptacles, improved aesthetics through art and architecture, more affordable housing, underground utilities, and after school programs for children. A report summarizing these suggestions was forwarded to the Redevelopment Agency Board and will be used as a reference for future improvements to the area. Pat Saley and Associates facilitated the meetings and compiled the report. The Agency used $4,500 of the budgeted $50,000 to fund this assessment.

Chapala Street Streetscape Design Guidelines

While the majority of development in downtown Santa Barbara has been focused on State Street over the last 30 years, Chapala Street, south of Carrillo Street, is quickly emerging as a focus of private redevelopment. Pedestrian amenities, landscape elements, and a cohesive streetscape theme are lacking. The numerous private developments are being designed and constructed without the benefit of a cohesive streetscape theme for the Chapala Corridor. Agency staff, in collaboration with Planning Division and Transportation Division of Public Works, initiated a design guidelines process. A Request for Proposals was distributed to local engineering firms, architectural firms, and landscape architecture firms. Of the eight firms submitting proposals, four were determined to be the most responsive by the Selection Committee comprised of representatives of the Planning Division, Housing and Redevelopment Division, and Public Works Engineering and Transportation Divisions. The Selection Committee went before the Agency Board for approval of The Conceptual Motion Company, in a joint venture with Shubin and Donaldson, to lead the design process. The product of the design process will be informal guidelines, similar to the State Street Landscaping Guidelines, including text and renderings. A series of community meetings are planned to gather input from local developers, business owners, merchants, and various design review boards. The Agency Board approved the $75,000 contract in April 2003.

4200 Calle Real (St. Vincent's)

Mercy Housing California, 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 recently annexed by the City near Highway 154 and Calle Real. The Agency has committed $10.6 million to the project, $3.6 million of which is in the form of a predevelopment loan, and the County has committed $2.5 million. The majority of the remaining funding will come from HUD 202 funds and four percent tax credits that are anticipated. Construction is expected to start in 2004.

Casa De Las Fuentes (335 West Carrillo/922 Castillo Street)

The City's Housing Authority has completed construction of 42 new studio and one-bedroom apartments for downtown workers. The Agency provided $1.9 million in grant and loan funds for acquisition and construction plus $600,000 in California Housing Finance Agency HELP funds for predevelopment/short-term gap financing. The project was built at a density equivalent to 54 units per acre. The impacts of traffic and parking were mitigated by a requirement that all tenant households work downtown and own no more than one vehicle. Casa de Las Fuentes has won the 2003 Outstanding Planning Project Award from the California Chapter of the American Planning Association and the 2003 Helen Putnam Award for Excellence from the League of California Cities. Other downtown worker housing projects are being planned as the City implements its smart growth housing development plans.

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, 2003

Marty Blum
Chairperson

Dan B. Secord, M.D.
Member

H.P. Fairly
Member

Roger L. 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

David K. Gustafson
Housing & Redevelopment Manager

Financial Section

Financial Section

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK & KEETER

CERTIFIED PUBLIC ACCOUNTANTS

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Peter C. Brown, CPA
Burton H. Armstrong, CPA MST
Andrew J. Paulden, CPA
Harvey J. McCown, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA

Chris M. Thornburgh, CPA
Lynn R. Krausse, CPA, MST
Bradley M. Hankins, CPA
Eric Xin, CPA
Melinda A. McDaniels, CPA
Thomas M. Young, CPA
Amanda E. Wilson, CPA
Sharon Jones, CPA, MST
Rosalva Flores, 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 governmental activities, each major fund, and the aggregated remaining fund information of the Redevelopment Agency of the City of Santa Barbara (Agency), a component unit of the City of Santa Barbara, as of and for the year ended June 30, 2003, which comprise the Agency's basic financial statements as listed in the table of contents. 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 respective financial position of the governmental activities, each major fund, and the aggregated remaining fund information of the Redevelopment Agency of the City of Santa Barbara, as of June 30, 2003, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The *management's discussion and analysis* and *budgetary comparison* information as listed in the accompanying table of contents are not a required part of the Agency's basic financial statements, but are 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 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 that collectively comprise the component unit's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and the statistical tables, where applicable, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. The combining and individual non-major fund financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit's basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2003 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 15, 2003

Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

This section of the Redevelopment Agency of the City of Santa Barbara's Comprehensive Annual Financial Report presents an overview of the Agency's financial activities for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages 1-5 of this report.

FINANCIAL HIGHLIGHTS

- Total assets of the Agency at June 30, 2003, were $140.6 million, a slight increase from prior year of approximately $1.5 million.

- Net assets (assets over liabilities) of the Agency exceeded its liabilities as of June 30, 2003 by $78.6 million, an increase of $5.5 million from prior year. Of the total, $6.4 million is unrestricted and, thus, may be used to meet the Agency's ongoing obligations to citizens and creditors.

- Revenues of the Agency for the year ended June 30, 2003, totaled $15.2 million; and expenses totaled $9.8 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Assets presents all Agency assets, including capital assets, and all related liabilities, including long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets", which serves as a measure of the financial health of the Agency. Over time, an increase in net assets generally indicates that the financial health of the Agency is improving.

The Statement of Activities provides the details of how the Agency's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses"; increases in net assets are presented as "Program Revenues" or "General Revenues".

The government-wide financial statements can be found on pages 11 and 12 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 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Capital Projects Fund and two debt service 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

This is the second year that the Agency has presented its financial statements under the new reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. Therefore, the following analysis, unlike last year, includes a comparative analysis between current year and prior year results of operations and year-end balances.

Statement of Net Assets

Table 1 below provides a summary of the Statement of Net Assets as of June 30, 2003 and 2002, found on page 11 of this report.

Table 1
REDEVELOPMENT AGENCY
OF THE CITY OF SANTA BARBARA
Summary of Net Assets
As of June 30, 2003 and 2002

	2003	2002
Current and other assets	$ 84,027,786	$ 81,902,010
Capital assets	56,609,239	57,247,215
Total assets	140,637,025	139,149,225
Current liabilities	6,558,804	6,332,080
Other liabilities	55,480,000	59,675,000
Total Liabilities	62,038,804	66,007,080
Net assets:		
Invested in capital assets, net of related debt	33,161,391	31,018,513
Restricted	39,012,738	36,902,438
Unrestricted	6,424,092	5,221,194
Total Net Assets	$ 78,598,221	$ 73,142,145

As of June 30, 2003, assets for the Agency totaled $140.6 million, an increase of approximately $1.5 million from prior year. This overall increase is net of a $2.2 million increase in loans receivable and a decrease in net fixed assets of $637,976. The increase in loans receivable related to new loans provided to local non-profit developers for the construction of low- and moderate-income housing projects, which is consistent with and an integral part of the Agency's strategy for providing affordable housing in the community. In fact, pursuant to State law, 20% of the total property tax increment revenues received by the Agency are restricted for affordable housing activities and projects. The decrease in net fixed assets is attributable to depreciation expense recorded during the year.

Liabilities at the year-end totaled approximately $62 million. This represents a $4 million decline from prior year, which is almost entirely attributable to principal retirement on outstanding tax allocation bonds.

Net assets as of June 30, 2003, totaled $78.6 million. Of this total, $33.2 million is invested in capital assets; $39 million is restricted, of which $34 million is restricted for low- and moderate-income housing activities. In total, net assets increased by approximately $5.5 million.

Statement of Activities

Table 2 provides a summary of the Statement of Activities for the Agency for the fiscal years ended June 30, 2003 and 2002.

Table 2
REDEVELOPMENT AGENCY
OF THE CITY OF SANTA BARBARA
Statement of Activities
Fiscal Years Ended June 30, 2003 and 2002

	2003	2002
General Revenues:		
Property Tax Increment	$ 12,773,924	$ 11,852,589
Unrestricted Interest Earnings	2,459,648	2,570,358
Other Revenue	11,200	445,291
Total Revenues	15,244,772	14,868,238
Expenses:		
General Government	4,976,306	2,636,956
Housing	703,007	375,624
Debt Service - Interest	3,133,209	3,352,395
Capital Improvements	976,174	1,061,426
Total Expenses	9,788,696	7,426,401
Increase in net assets before transfers	5,456,076	7,441,837
Transfers	-	(4,026)
Increase in net assets	5,456,076	7,437,811
Net Assets, July 1, 2002	73,142,145	65,704,334
Net Assets, June 30, 2003	$ 78,598,221	$ 73,142,145

As shown in Table 2, revenues for the year ended June 30, 2003, totaled over $15.2 million. Of this total, $12.8 million (83.7%) consists of property tax increment revenues. As previously discussed, the nature of redevelopment agencies is such that they are created for the purpose of eliminating blight, through capital improvements, where needed in the community. The improvements are financed by the issuance of bonds that are repaid from the incremental property tax revenues generated from the improvements. Therefore, incremental property tax revenues are generally the largest and primary revenue source for redevelopment agencies. Tax increment revenues grew by $921,335 (7.7%) from prior year. This strong growth in revenues is attributable to the continued strength in the real estate market in the City.

Other revenues include interest income, totaling $2.5 million. A large portion of this interest is being generated from the invested proceeds of the 2001 Tax Allocation Bonds. Most of the proceeds have been earmarked for the construction of a new parking structure (the "Granada Garage"). For a number of reasons, construction of the parking structure has been delayed, and the proceeds continue to earn interest. Once the project gets underway and the funds are expended, interest income will decline accordingly.

Expenses totaled $9.8 million, which included $3.1 million for interest on outstanding bonds and $4.9 million for general government. The redevelopment projects contained in general government include $1.1 million in assistance to the Coalition to Provide Shelter and Support to Santa Barbara Homeless, which has established a very successful homeless day center and emergency shelter at 816 Cacique Street. The center provides respite, supportive services,

shelter and food to homeless individuals in Santa Barbara. Also included in the $4.9 million for general government is a $424,948 payment to the Educational Revenue Augmentation Fund pursuant to State action to offset fiscal year 2003 State budget deficits. See further discussion of this shift in property taxes later in the Economic Factors and Next Year's Budget section of this analysis.

Net assets increased by $5.5 million during the year, suggesting a considerable improvement in the financial condition of the Agency. Although financially stable, the substantial increase in net assets in both current and prior year is due to a conscious decision on the part of the Agency Board to hold off on major projects until the State adopted its fiscal year 2004 budget, at which time any impacts to redevelopment agencies would be known.

ANALYSIS OF FUND FINANCIAL STATEMENTS

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

Table 3 summarizes the balance sheet of all governmental funds as of June 30, 2003 and June 30, 2002.

Table 3
Redevelopment Agency of the City of Santa Barbara
Balance Sheet
As of June 30, 2003 and 2002

	2003	2002
Assets		
Cash and investments	$ 18,537,511	$ 17,832,282
Loans receivable	26,609,007	24,371,024
Accrued interest receivable	1,265,197	1,315,496
Due from other agencies	201,279	251,599
Due from City	410,811	531,400
Properties held for resale	433,952	433,952
Cash and investments with fiscal agents	35,164,495	35,690,691
Total Assets	82,622,252	80,426,444
Liabilities		
Accounts Payable	387,728	273,088
Deposits	214,608	214,608
Deferred revenue	364,597	441,591
Loans payable	660,000	581,630
Total Liabilities	1,626,933	1,510,917
Fund Balance		
Reserved for:		
Encumbrances	3,125,612	455,790
Non-current assets	27,226,299	25,066,347
Debt service	4,767,408	4,844,251
Redevelopment activities	38,463,886	39,648,161
Low and moderate income housing	7,412,114	8,900,978
Total Fund Balance	80,995,319	78,915,527
Total Liabilities and Fund Balance	$ 82,622,252	$ 80,426,444

Assets at June 30, 2003, totaled $82.6 million. The largest asset, at $35.2 million, is cash and investments with fiscal agents in connection with outstanding bonds of the Agency. Approximately $32 million represents bond proceeds, a portion of which is to be used to construct a new parking structure, and the balance represents funds held in reserve pursuant to related bond indenture provisions for the benefit of bondholders. These latter amounts correspond to the $4.8 million of fund balance "Reserved for debt service" as shown in Table 3. Loans receivable totaling $26.6 million at June 30, 2003, primarily include loans provided to low- and moderate-income households from the 20% of tax increment set aside for housing pursuant to State law. It also includes loans provided to non-profit developers for purposes of increasing the number of affordable housing units in the City. As these loans are repayable over more than 1 year, a corresponding amount of fund balance is "Reserved for non-current assets" shown in Table 3.

Total assets increased by approximately $2.2 million from prior year, from $80.4 million to $82.6 million. This growth is almost entirely attributable to loans receivable, corresponding to new loans executed during the year for new housing projects, including the St. Vincent's Family Housing Project and the West Carrillo Housing Project.

GENERAL FUND HIGHLIGHTS

Table 4 below recaps the budgeted and actual results of operations of the Agency's General Fund for the fiscal year ended June 30, 2003, including the originally adopted and final amended budget amounts.

Table 4
Redevelopment Agency of the City of Santa Barbara
Statement of Revenues, Expenditures and Changes in Fund Balance
GENERAL FUND
For the Fiscal Year Ended June 30, 2003

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Property tax increment	$ 9,680,000	$ 9,680,000	$ 10,280,734	$ 600,734
Interest Income	331,200	331,200	390,104	58,904
Total Revenues	10,011,200	10,011,200	10,670,838	659,638
Expenditures				
Supplies & Services	1,175,900	1,187,080	1,112,828	74,252
Projects	1,754,800	3,726,880	2,599,650	1,127,230
Other	526,000	474,909	19,610	455,299
Total Expenditures	3,456,700	5,388,869	3,732,088	1,656,781
Excess of revenues over expenditu	6,554,500	4,622,331	6,938,750	2,316,419
Operating transfers out	(8,330,500)	(8,330,500)	(8,315,320)	15,180
Net change in fund balance	(1,776,000)	(3,708,169)	(1,376,570)	2,331,599
Fund balance, beginnng	5,332,412	5,332,412	5,332,412	-
Fund balance, ending	$ 3,556,412	$ 1,624,243	$ 3,955,842	$ 2,331,599

As shown in Table 4, the adopted budget for revenues remained unchanged during the year at $10,011,200. This included a $9.7 million estimate for property tax increment revenues and $331,200 for interest income. Actual revenues for the year were $10.7 million, with the largest variance occurring in tax revenues. As the largest revenue source, and one of only two revenues, in the Agency's General Fund, property tax revenues are generally budgeted conservatively, which generally results in favorable variances at year-end. However, the magnitude of the variance is attributable to the unexpected and continued strength in the real estate market.

Expenditures (excluding transfers) were budgeted at $3.5 million on July 1, with the final budget increasing to $5.4 million. The additional appropriations of approximately $1.9 million include $1.1 million for a grant to the Coalition to Provide Shelter and Support to Santa Barbara Homeless, as previously discussed, and $500,000 to fund potential litigation settlement requirements. As shown in Table 4, only $3.7 million was expended during the year, resulting in a favorable variance of approximately $1.7 million. As previously noted, the Agency held back expenses pending the outcome of the State's budget deliberations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets include those acquired or constructed by the Agency in connection with redevelopment projects. Table 5 below provides a summary of capital assets, net of accumulated depreciation, as of June 30, 2003 and 2002.

Table 5
Redevelopment Agency of the City of Santa Barbara
Summary of Capital Assets
As of June 30, 2003 and 2002

	2003	2002
Land	38,871,689	38,871,689
Buildings	330,910	339,854
Infrastructure	1,828,547	-
Improvements Other Than Buildings	13,604,647	14,743,681
Construction in Progress	1,973,446	3,291,991
Total	56,609,239	57,247,215

Total capital assets (net of $11.3 million in accumulated deprecation) at June 30, 2003, were $56.6 million, a decrease of approximately $600,000 from prior year. The decrease was net of $606,240 in additions and $1,244,218 of depreciation expense (deletions) during the year. As shown in Table 5, a portion of construction in progress was reclassified to infrastructure for projects completed during the year, including the State Street Sidewalk Project. The remaining construction in progress, totaling $1,973,446, primarily consists of final engineering and design costs for the Granada Garage parking structure.

Long-term Debt

As of June 30, 2003, the Agency had $59.7 million in outstanding tax allocation bonds. In July 2001, the Agency issued the 2001 Tax Allocation Bonds for the purpose of financing several projects, the largest being the construction of the Granada Garage. The only activity during the year was the principal payments totaling $3,985,000. The Agency's outstanding debt is currently rated A3 by Moody's Investers Service.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary economic factor affecting the Redevelopment Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The Agency (and City) has been fortunate in that the strong real estate market over the last five years has resulted in continued and substantial growth in revenues and, thus, has allowed for the funding of important projects and activities during that period. Although there are some indications that the local real estate market may be cooling, a 6% growth in tax increment revenues is projected for fiscal year 2004.

The most significant factor affecting the Agency in the near term is the potential for additional impacts on redevelopment agencies statewide as the State seeks to address a major budgetary crisis. During fiscal year 2003, the State shifted $75 million statewide from redevelopment agencies to schools via the Educational Revenue Augmentation Fund (ERAF). By doing so, the State reduced its funding requirements to schools pursuant to Proposition 98. The Agency's share of the shift was approximately 425,000. At the time, the shift was considered one-time; however, there was speculation and discussion at the State level of further impacts. In fact, with the adoption of the fiscal year 2004 budget in late August 2003, the State once again imposed a $135 million shift to schools from redevelopment agencies as one of many measures aimed at balancing the State's budget, with the Agency's share being approximately $775,000.

The State's adopted budget called for the sale of approximately $12 billion in bonds in order to partially solve its $38 billion deficit. Based on challenges filed by the Howard Jarvis Taxpayers Group, there is some concern over the legality of the proposed bond sales. Therefore, the State may find itself in a similar, if not worse, financial situation as it begins to develop its fiscal year 2005 budget. With all this uncertainty, the redevelopment agencies remain an easy target for additional State action.

REQUESTS FOR INFORMATION

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

City of Santa Barbara – Department of Finance
P.O. Box 1990
Santa Barbara, CA 93102-1990
ATTN: Mr. Robert Samario
Phone: 805-564-5336

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2003

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 18,537,511
Loans receivable	26,609,007
Accrued interest receivable	1,265,197
Due from other agencies	201,279
Due from City General Fund	410,811
Properties held for resale	433,952
Deferred charge -issuance costs, net	1,184,239
Deferred charge - discount, net	221,295
Restricted assets:	
Cash and investments with fiscal agent	35,164,495
Capital assets (net of accumulated depreciation):	
Land	38,871,689
Buildings	330,910
Improvements other than buildings	13,604,647
Construction in progress	1,973,446
Infrastructure	1,828,547
Total assets	140,637,025
LIABILITIES	
Accounts payable	387,728
Accrued interest payable	758,591
Loans payable	660,000
Deposits	214,608
Unamortized debt premium	342,877
Bonds payable:	
Due within one year	4,195,000
Due in more than one year	55,480,000
Total liabilities	62,038,804
NET ASSETS	
Invested in capital assets, net of related debt	33,161,391
Restricted for:	
Capital projects	5,009,556
Low and moderate income programs	34,003,182
Unrestricted	6,424,092
Total net assets	$ 78,598,221

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2003

		Program Revenues		
Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Current:				
General government	$ 4,976,306	$ -	$ -	$ (4,976,306)
Housing	703,007	-	-	(703,007)
Redevelopment capital	976,174	-	-	(976,174)
Debt service:				
Interest	3,133,209			(3,133,209)
Total governmental activities	9,788,696	-	-	(9,788,696)

General revenues:	
Property taxes	12,773,924
Unrestricted investment earnings	2,459,648
Other revenue	11,200
Total general revenues	15,244,772
Change in net assets	5,456,076
Net assets, beginning of year	73,142,145
Net assets, end of year	$ 78,598,221

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Balance Sheet
Governmental Funds
June 30, 2003

				Debt Service Funds		
	General	Special Revenue	Capital Projects	1993 Tax Allocation Bonds	1995 Refunding Tax Allocation Bonds	Total Governmental Funds
Assets						
Cash and investments	$ 3,579,249	$ 8,384,362	$ 6,573,900	$ -	$ -	$ 18,537,511
Loans receivable	17,939	26,591,068	-	-	-	26,609,007
Accrued interest receivable	33,496	34,815	1,196,886	-	-	1,265,197
Due from other agencies	-	-	201,279	-	-	201,279
Due from City General Fund	410,811	-	-	-	-	410,811
Properties held for resale	433,952	-	-	-	-	433,952
Restricted assets:						
Cash and investments with fiscal agent	-	-	30,397,087	1,465,085	3,302,323	35,164,495
Total assets	$ 4,475,447	$ 35,010,245	$ 38,369,152	$ 1,465,085	$ 3,302,323	$ 82,622,252
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 900	$ 188,623	$ 198,205	$ -	$ -	$ 387,728
Deposits	154,108	60,500	-	-	-	214,608
Deferred revenue	364,597	-	-	-	-	364,597
Loans payable	-	660,000	-	-	-	660,000
Total liabilities	519,605	909,123	198,205	-	-	1,626,933
Fund Balances:						
Reserved for:						
Encumbrances	924,993	97,940	2,102,679	-	-	3,125,612
Non-current assets	433,952	26,591,068	201,279	-	-	27,226,299
Debt service	-	-	-	1,465,085	3,302,323	4,767,408
Redevelopment activities	2,596,897	-	35,866,989	-	-	38,463,886
Low and moderate income housing	-	7,412,114	-	-	-	7,412,114
Total fund balances	3,955,842	34,101,122	38,170,947	1,465,085	3,302,323	80,995,319
Total liabilities and fund balances	$ 4,475,447	$ 35,010,245	$ 38,369,152	$ 1,465,085	$ 3,302,323	$ 82,622,252

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2003

Total governmental fund balances (page 13)	$ 80,995,319
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	56,609,239
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(59,675,000)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred	(758,591)
Government funds report debt costs such as issuance costs, discounts, and losses on advance refunding are reported as an expenditure when those costs are first incurred because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge in the government-wide financial statements	1,062,657
Certain special assessment revenues are earned but unavailable to pay for current period expenditures, and, therefore, are deferred in the funds	364,597
Net assets of governmental activities (page 11)	$ 78,598,221

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
Fiscal Year ended June 30, 2003

				Debt Service Funds		
	General	Special Revenue	Capital Projects	1993 Tax Allocation Bonds	1995 Refunding Tax Allocation Bonds	Total Governmental Funds
Revenues:						
Incremental property taxes	$ 10,280,734	$ 2,570,184	$ -	$ -	$ -	$ 12,850,918
Use of money and property	390,104	609,867	1,385,612	39,186	34,879	2,459,648
Other revenues	-	1,200	10,000	-	-	11,200
Total revenues	10,670,838	3,181,251	1,395,612	39,186	34,879	15,321,766
Expenditures:						
Current:						
Supplies and services	1,112,828	361,551	-	-	-	1,474,379
Projects	2,599,650	325,489	1,582,415	-	-	4,507,554
Other expenditures	19,610	15,967	-	-	-	35,577
Debt service:						
Principal	-	-	-	985,000	3,000,000	3,985,000
Interest	-	-	1,764,854	512,123	962,487	3,239,464
Total expenditures	3,732,088	703,007	3,347,269	1,497,123	3,962,487	13,241,974
Excess (deficiency) of revenues over (under) expenditures	6,938,750	2,478,244	(1,951,657)	(1,457,937)	(3,927,608)	2,079,792
Other financing sources (uses):						
Operating transfers in	-	-	3,006,618	1,399,800	3,908,902	8,315,320
Operating transfers out	(8,315,320)	-	-	-	-	(8,315,320)
Total other financing sources (uses)	(8,315,320)	-	3,006,618	1,399,800	3,908,902	-
Net change in fund balances	(1,376,570)	2,478,244	1,054,961	(58,137)	(18,706)	2,079,792
Fund balances, beginning of fiscal year	5,332,412	31,622,878	37,115,986	1,523,222	3,321,029	78,915,527
Fund balances, end of fiscal year	$ 3,955,842	$ 34,101,122	$ 38,170,947	$ 1,465,085	$ 3,302,323	$ 80,995,319

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscla Year Ended June 30, 2003

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 15)		$ 2,079,792
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for general capital assets, infrastructure, and other related capital	606,241	
Less current year depreciation	(1,244,218)	(637,977)
Governmental fund revenues deferred in prior year due to unavailability were received in the current year but already booked in the statement of activities last year.		(76,994)
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets		3,985,000
Amortization of deferred debt costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(33,106)
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are accrued and reported in the period when the liability exists in the statement of activities		139,361
Net change in net assets of governmental activities (page 12)		$ 5,456,076

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Redevelopment Agency of the City of Santa Barbara (Agency) conform to accounting principles generally accepted in the United States (U.S.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.

The statement of net assets and statement of activities display information about the Agency as a whole and, accordingly, eliminations have been made to remove interfund activities.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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, and the debt service, including principal, interest, and related costs of the 2001 Tax Allocation Bonds.

1993 Tax Allocation Bond Debt Service Fund – The Debt Service fund is used to account for the accumulation of resources for and the payment of the 1993 Tax Allocation Bond general long-term debt, including principal, interest and related costs.

1995 Tax Allocation Bond Debt Service Fund – The Debt Service fund is used to account for the accumulation of resources for and the payment of the1995 Tax Allocation Bond general long-term debt, including principal, interest and related costs.

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

D. Investments

Investments are reported in the accompanying basic financial statements 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 market value.

E. Incremental Property Tax

Incremental property taxes are considered as revenues by the Agency when they become both measurable and available for financing the Agency's redevelopment activities during the year.

Incremental property tax revenues represent property taxes collected from the excess of taxes levied and collected each year on a redevelopment project over that amount which would have been levied and collected on the base year property tax assessment. A property tax base year is determined to be the year prior to the establishment of a redevelopment project area.

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

F. Properties Held for Resale

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

G. Self-Insurance

For purposes of general liability, the Agency is self-insured. As of June 30, 2003, management is not aware of any outstanding liabilities, which would require accrual.

H. Low and Moderate Income Housing

In accordance with state law, the Agency is required to set aside twenty percent (20%) of the taxes 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.

I. 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 charged to operations when incurred. Capital assets, except land and construction in progress, of the Agency are depreciated using the straight-line method using the estimated useful lives below:

Assets	Years
Buildings	40
Improvements other than Buildings	25-50

J. 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.

K. 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 accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets, plus or minus unamortized bond issuance costs, discounts, or premiums. 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. 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:

Pooled cash and investments	
Equity interest in City Pool	$ 4,497,663
State of California LAIF	14,039,848
Total cash and investments	$ 18,537,511
Cash and investments with fiscal agents	$ 35,164,495

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			Not Required To Be Categorized	Carrying Amount at Fair Value
	1	2	3		
Pooled investments:					
City of Santa Barbara cash and investment pool	$ -	$ -	$ -	$ 4,497,663	$ 4,497,663
State of California LAIF RDA	-	-	-	14,039,848	14,039,848
	-	-	-	18,537,511	18,537,511
Investments with fiscal agents					
Cash and cash equivalents	-	-	4,767,495	-	4,767,495
Guaranteed investment contracts	-	-	30,397,000	-	30,397,000
	-	-	35,164,495	-	35,164,495
Total investments	$ -	$ -	$ 35,164,495	$ 18,537,511	$ 53,702,006

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, 2003 the carrying amount of the pool was $55,422,506,109 and the estimated fair value of the pool (including accrued interest) was $55,709,492,881. The Agency's proportionate share of that market value is $14,039,848. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling $304,000,000, and asset backed securities totaling $985,676,000. 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.

NOTE 3. PROPERTIES HELD FOR RESALE

A summary of changes in properties held for resale follows:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Properties held for resale	$ 433,952	-	-	$ 433,952

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows:

	Beginning Balance July 1, 2002	Increases	Decreases	Ending Balance June 30, 2003
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 38,871,689	$ -	$ -	$ 38,871,689
Construction in progress	3,291,992	522,665	1,841,211	1,973,446
Total capital assets, not being depreciated	42,163,681	522,665	1,841,211	40,845,135
Capital assets being depreciated:				
Building	357,741	-	-	$ 357,741
Improvements other than buildings	24,802,622	-	-	24,802,622
Infrastructure	-	1,924,786	-	1,924,786
Total capital assets being depreciated	25,160,363	1,924,786	-	27,085,149
Less accumulated depreciation for:				
Buildings	(17,887)	(8,944)	-	$ (26,831)
Improvements other than buildings	(10,058,940)	(1,139,035)	-	(11,197,975)
Infrastructure	-	(96,239)	-	(96,239)
Total accumulated depreciation	(10,076,827)	(1,244,218)	-	(11,321,045)
Total capital assets, being depreciated, net	15,083,536	680,568	-	15,764,104
Governmental activities capital assets, net	$ 57,247,217	$ 1,203,233	$ 1,841,211	$ 56,609,239

Depreciation expense of $1,244,218 was charged to the general fund of the Agency.

The Agency has active construction projects as of June 30, 2003. The projects include construction of public restrooms, design, engineering and construction of parking lots, a recycling container program, improvements to a public park and replacement of damaged pedestrian crosswalks. At year-end the Agency's commitments with contractors were as follows:

Project	Spent To Date
State Street Restroom	$ 111,947
Railroad Station South Parking Lot	66,223
Carrillo St. Sidewalk Construction	50,851
Plaza Vera Cruz	17,213
Downtown Recycling Container Program	196,401
Parking Lot 6	1,530,811
Total	$ 1,973,446

NOTE 5. DUE FROM OTHER FUNDS AND TRANSFERS

The composition of inter-fund and primary government/component unit balances as of June 30, 2003, is as follows:

Due from other funds

Receivable Fund	Payable Fund	Amount
Agency General Fund	City General Fund	$ 410,811

Fund Transferred From	Fund Transferred To: Agency Capital Projects	Agency 1993 Tax Allocation Bond	Agency 1995 Tax Allocation Bond	Total
Agency General Fund	$ 3,006,618	$ 1,399,800	$ 3,908,902	$ 8,315,320

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.

The Due from City General Fund on the Statement of Net Assets in the amount of $410,811 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 6. LONG-TERM DEBT

The Agency issues tax allocation bonds to provide funds for the acquisition of land or property and restoration or rehabilitation construction of existing buildings or improvements to eliminate blight in central downtown Santa Barbara. The Agency pledges tax increment revenues to pay debt service of the tax allocation bonds.

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

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding Balance June 30, 2003
Tax allocation bonds:					
1993 Series A	5.1 - 8.5%	02/01/93	02/01/07	$ 14,605,000	$ 7,240,000
1995 Senior Series A	3.65 - 6.00%	12/01/95	03/01/08	28,170,000	11,585,000
1995 Subordinate Series B	4.375 - 6.35%	12/01/95	03/01/07	6,845,000	2,545,000
2001 Series A	4.125 - 5.00%	07/25/01	03/01/19	38,855,000	38,305,000
Total				$ 88,475,000	$ 59,675,000

Long-term liability activity for the year ended June 30, 2003 was as follows:

	Balance 07/01/02	Additions	Retirements	Balance 06/30/03	Due Within One Year	Due in More Than One Year
Tax allocation bonds:						
1993 Series A	$ 8,225,000	$ -	$ 985,000	$ 7,240,000	$ 1,070,000	$ 6,170,000
1995 Senior Series A	14,005,000	-	2,420,000	11,585,000	2,505,000	9,080,000
1995 Subordinate Series B	3,125,000	-	580,000	2,545,000	620,000	1,925,000
2001 Series A	38,305,000	-	-	38,305,000	-	38,305,000
Total	$ 63,660,000	$ -	$ 3,985,000	$ 59,675,000	$ 4,195,000	$ 55,480,000

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

	Principal Payments				
Fiscal Year Ending	1993 Tax Allocation	1995 Senior Series A	1995 Subordinate Series B	2001 Tax Allocation	Total
2004	$ 1,070,000	$ 2,505,000	$ 620,000	$ -	$ 4,195,000
2005	1,915,000	1,845,000	605,000	-	4,365,000
2006	2,055,000	1,935,000	640,000	-	4,630,000
2007	2,200,000	2,035,000	680,000	-	4,915,000
2008	-	3,265,000	-	-	3,265,000
2009 - 2013	-	-	-	15,115,000	15,115,000
2014 - 2018	-	-	-	18,850,000	18,850,000
2019 - 2023	-	-	-	4,340,000	4,340,000
Princpal payments outstanding	7,240,000	11,585,000	2,545,000	38,305,000	59,675,000
Fiscal Year Ending	Interest Payments				Total
2004	453,023	663,788	152,700	882,427	2,151,938
2005	387,752	544,800	115,500	882,427	1,930,479
2006	268,065	434,100	79,200	882,427	1,663,792
2007	138,600	318,000	40,800	882,427	1,379,827
2008	-	195,900	-	882,427	1,078,327
2009 - 2013	-	-	-	3,811,364	3,811,364
2014 - 2018	-	-	-	1,963,601	1,963,601
2019 - 2023	-	-	-	108,500	108,500
Interest payments outstanding	1,247,440	2,156,588	388,200	10,295,600	14,087,828
Net Debt Service Obligation	$ 8,487,440	$ 13,741,588	$ 2,933,200	$ 48,600,600	$ 73,762,828

The Agency has complied with all significant bond covenants.

NOTE 7. LOANS RECEIVABLE

Loans receivable in the governmental funds, totaling $26,609,007 at June 30, 2003, consist of (1) loans provided to low- and moderate-income households, in the amount of $26,591,068 with interest ranging from 3% to 8% and maturities up to 20 years and (2) a loan of $17,939 to Bernard J. Borderre with interest at 8.5%.

NOTE 8. CLASSIFICATION OF NET ASSETS

In the Government-wide financial statements, net assets are classified as the following:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted Net Assets* – this category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, and Specific Projects and Programs as established by the City Council.
- *Unrestricted Net Assets* – This category represents the net assets of the Agency, which are not restricted for any project or other purpose.

NOTE 9. 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 10. 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 in 1992, and during the current year refunded in through the issuance of the 2002 $19,405,000 Refunding Certificates of Participation. Pursuant to an agreement dated July 2, 2002, the rights to the lease payments from the Waterfront Fund have been assigned to the Redevelopment Agency, a trustee for the benefit of the registered owners of the Certificates. Accordingly, the liability associated with the obligations under the Certificates of Participation have been recorded within the Waterfront Fund and are therefore not included as a liability of the Redevelopment Agency. As of June 30, 2003 the Refunding Certificates of Participation have an outstanding balance of $18,685,000.

BUDGETARY INFORMATION

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

Prior to May 1, the Executive Director submits to the Agency Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Housing Fund. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they do not represent expenditures or liabilities.

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

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
For the Fiscal Year Ended June 30, 2003

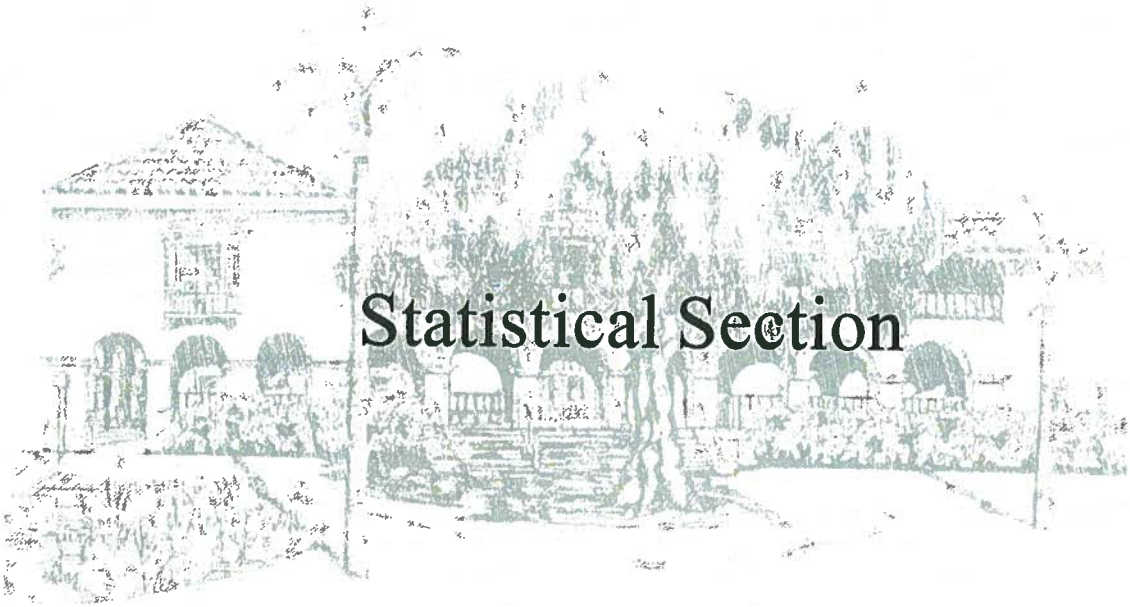
	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property taxes	$ 9,680,000	$ 9,680,000	$ 10,280,734	$ 600,734
Use of money and property	331,200	331,200	390,104	58,904
Total revenues	10,011,200	10,011,200	10,670,838	659,638
EXPENDITURES				
Current:				
Supplies and services	1,175,900	1,187,080	1,112,828	74,252
Projects	1,754,800	3,726,880	2,599,650	1,127,230
Other expenditures	526,000	474,909	19,610	455,299
Total expenditures	3,456,700	5,388,869	3,732,088	1,656,781
Excess of revenues over expenditures	6,554,500	4,622,331	6,938,750	2,316,419
Other Financing Sources (Uses)				
Operating transfers out	(8,330,500)	(8,330,500)	(8,315,320)	15,180
Total other financing sources (uses)	(8,330,500)	(8,330,500)	(8,315,320)	15,180
Net change in fund balances	(1,776,000)	(3,708,169)	(1,376,570)	2,331,599
Fund balances, beginning of fiscal year	5,332,412	5,332,412	5,332,412	-
Fund balances, end of fiscal year	$ 3,556,412	$ 1,624,243	$ 3,955,842	$ 2,331,599

See accompanying notes to supplementary information

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
For the Fiscal Year Ended June 30, 2003

	Special Revenue Housing Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property taxes	$ 2,420,000	$ 2,420,000	$ 2,570,184	$ 150,184
Use of money and property	650,000	650,000	609,867	(40,133)
Other Revenue	-	-	1,200	1,200
Total revenues	3,070,000	3,070,000	3,181,251	111,251
EXPENDITURES				
Current:				
Supplies and services	417,800	517,166	361,551	155,615
Projects	6,960,000	11,076,200	325,489	10,750,711
Other expenditures	3,592,200	66,000	15,967	50,033
Total Expenditures	10,970,000	11,659,366	703,007	10,956,359
Net change in fund balances	(7,900,000)	(8,589,366)	2,478,244	11,067,610
Fund balances, beginning of fiscal year	31,622,878	31,622,878	31,622,878	-
Fund balances, end of fiscal year	$ 23,722,878	$ 23,033,512	$ 34,101,122	$ 11,067,610

See accompanying notes to supplementary information



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
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
2003	1,474,379	4,507,554	3,985,000	3,239,464	35,577	13,241,974

* 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
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
2003	12,850,918	2,459,648	-	11,200	15,321,766

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
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
2003	1.00000	-	0.01467	-	1.01467

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
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
2003	CCRP	96,895,229	1,120,196,483	1,023,301,254	1.01467	10,234,201
	Unitary Allocation	-	-	-		301,149
		96,895,229	1,120,196,483	1,023,301,254		10,535,350

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	$ 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
29,620,144	228,957,836	199,337,692	1.01467	1,993,377	12,227,578
-	-	-		-	301,149
29,620,144	228,957,836	199,337,692		1,993,377	12,528,727

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
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
2002	3,277	97,297,284	6,303,235,000	4,780	1,551,762,000	5,032,285,000	30.8

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, 2003
(Unaudited)

Name	Activity	Number employed
University of California, Santa Barbara	Education	9,528
County of Santa Barbara	Government	4,141
Raytheon/ E-Systems	Manufacturer	1,939
Santa Barbara Cottage Hospital	Health Care	1,927
Santa Barbara School District Adminsitration	Education	1,708
Santa Barbara Community College	Education	1,700
U. S. Postal Service	Postal Service	1,183
Sansum-Santa Barbara Medical Foundation Clinic	Health Care	1,150
Santa Barbara Elementary School District	Education	1,132
City of Santa Barbara	Government	1,066

(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, 2003
(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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Andrew J. Paulden, CPA
Harvey J. McCown, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Redevelopment Agency of the City of Santa Barbara (Agency), as of and for the year ended June 30, 2003, and have issued our report thereon dated September 15, 2003. 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, Section 33080.1(a) of the Health and Safety Code of the State of California, and the procedures contained in the Controllers 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 and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *guidelines for compliance audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Accounting and Reporting. 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

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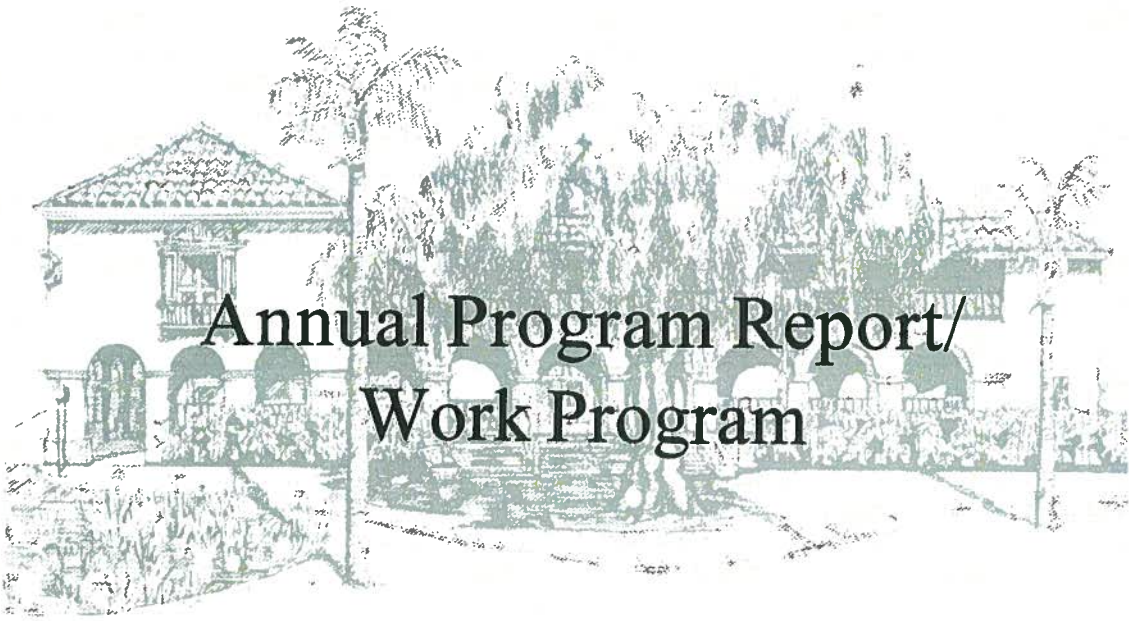
detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. This report is intended for the information of members of the 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 15, 2003



Annual Program Report/ Work Program

Annual Program Report/Work Program

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT - FISCAL YEAR 2003
(NOT COVERED IN AUDITOR'S REPORT)

INTRODUCTION

This report, covering Fiscal Year ending June 30, 2003, 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 2003.

CENTRAL CITY REDEVELOPMENT PROJECT AREA

916 STATE STREET PUBLIC RESTROOMS

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 restroom received final approval from the Historic Landmarks Commission. On March 4, 2003, the Redevelopment Agency Board rejected all bids for the project and asked staff to look into mechanisms to reduce the overall project cost. Staff is currently researching alternate designs and is awaiting resolution of the State budget and its impact on the Redevelopment Agency.

STATE STREET PEDESTRIAN CROSSWALKS

The Agency allocated $90,000 in FY 2002 and an additional $275,000 was budgeted in the Fiscal Year 2003 budget to replace 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 sidewalk material surrounding the Dolphin Fountain at the foot of Stearns Wharf was also replaced. Construction on the 400 and 500 blocks was postponed to avoid conflict with the summer tourist season. Although each block was closed to vehicle traffic during construction, disruption was minimized by conducting the work one block at a time. The sidewalks remained open continuously for pedestrians. The crosswalk project was completed before the busy Memorial Day weekend. The total project cost was $320,086.

DOWNTOWN RECYCLING CONTAINER PROGRAM - PHASE I

In September 2002, Council approved Solid Waste Policies, Principles, Goals and Strategies, which includes the goal of becoming the recycling leader in the State of California. As part of that strategy, the Redevelopment Agency funded the first of a four-phase program to replace public trash containers that provide capacity for recycling. The targeted areas within the Central City Redevelopment Project Area for Phase I of the program include: State Street, from Victoria Street to Cabrillo Boulevard, and two adjacent blocks to the west (De La Vina), and east (Santa Barbara Street). Phase I replaces 70 existing Historic Landmarks Commission (HLC)-approved trash containers with an HLC-approved cluster of recycling, trash and cigarette butt receptacles. The new receptacles are made out of recycled stainless steel and the old containers will be refurbished for use in various City parks. The new receptacles began to be seen in the downtown corridor in May 2003. The Agency Board budgeted $200,000 to cover the new containers and their installation.

GRANADA GARAGE

In March 2001 the City Council approved the development of the Granada Garage. The Granada Garage will be a six level parking (two levels below ground) structure with 575 parking spaces and will include offices for the Downtown Parking Operations, a bike station and eight to twelve housing units. The architecture of the garage will be Mediterranean in style and will feature new paseos and landscaping surrounding the structure. The garage will be located at the present site of the Lot 6 parking lot (corner of Anacapa and Anapamu) and will provide much needed parking for the local businesses located north of Carrillo Street. The project went through the bidding process but the bids were significantly higher than the estimate and the allocated funding. All of the bids were rejected and the project is currently being redesigned in order to comply with budget constraints. To date, the design and initial construction phases have cost slightly over $2 million in Redevelopment funds. The Agency has $15,000,000 remaining from the Series 2001A bond proceeds to fund construction.

WEST DOWNTOWN IMPROVEMENT PROGRAM

Since 20 years had elapsed since the last assessment study was completed on the West Downtown area, that portion of the Central City Redevelopment Project area bordered by Carrillo Street on the north, Highway 101 on the west and south, and Chapala Street on the east, it was determined that a current assessment was needed. In November 2002, the RDA held two widely-noticed public meetings that included about 40 participants from the community. The purpose of the meetings was to present and solicit suggestions that would improve the West Downtown neighborhood and to get feedback and a sense of priority about the suggestions. The suggestions staff presented at the meetings were based on comments made by members of the Westside Community Group and Westside Community Advisory Committee at their meetings held in October 2002. A high percentage of the participants at both meetings had similar concerns relating to the livability of the West Downtown neighborhood: improved street lighting, repaired sidewalks, more open or park space, trash receptacles, improved aesthetics through art and architecture, more affordable housing, underground utilities, and after school programs for children. A report summarizing these suggestions was forwarded to the Redevelopment Agency Board and will be used as a reference for future improvements to the area. Pat Saley and Associates facilitated the meetings and compiled the report. The Agency used $4,500 of the budgeted $50,000 to fund this assessment.

CHAPALA STREET STREETSCAPE DESIGN GUIDELINES

While the majority of development in downtown Santa Barbara has been focused on State Street over the last 30 years, Chapala Street, south of Carrillo Street, is quickly emerging as a focus of private redevelopment. Pedestrian amenities, landscape elements, and a cohesive streetscape theme are lacking. The numerous private developments are being designed and constructed without the benefit of a cohesive streetscape theme for the Chapala Corridor. Agency staff, in collaboration with Planning Division and Transportation Division of Public Works, initiated a design guidelines process. A Request for Proposals was distributed to local engineering firms, architectural firms, and landscape architecture firms. Of the eight firms submitting proposals, four were determined to be the most responsive by the Selection Committee comprised of representatives of the Planning Division, Housing and Redevelopment Division, and Public Works Engineering and Transportation Divisions. The Selection Committee went before the Agency Board for approval of LYVA, in a joint venture with Shubin and Donaldson, to lead the design process. The product of the design process will be informal guidelines, similar to the State Street Landscaping Guidelines, including text and renderings. A series of community meetings are planned to gather input from local developers, business owners, merchants, and various design review boards. The Agency Board approved the $75,000 contract in April 2003.

LOUISE LOWRY DAVIS CENTER RESTORATION

In Fiscal Year 2002, $350,000 was budgeted to fund the Parks and Recreation Department's interior and exterior renovation improvements to the Louise Lowry Davis Center (Center) located at 1232 De La Vina Street. One of the project's main goals is to make the Center better suited to accommodate individuals with disabilities through compliance with current Americans with Disabilities Act (ADA) standards. The Center hosts many of senior citizen activities including card-playing, bingo, informational lectures, tax and insurance counseling, stroke rehabilitation, yoga and tai chi. This rehabilitation project will also improve the heating system and create a well-defined entrance and reception area on the parking lot side of the building used by nearly all program participants. The project received Preliminary Approval from the Architectural Board of Review in February of this year. Final approval is contingent upon completion of the environmental review and acceptance of a Phase I Archaeology Report, as well as design details pertaining to awnings, concrete color, exterior lighting and landscaping. Of the original $350,000 appropriation, approximately $325,000 remains. Funds spent to date include costs associated with preliminary design and final design.

PLAZA VERA CRUZ PARK

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. These improvements will be accomplished using State grant funds in addition to the $77,000 budgeted by the Redevelopment Agency for the design. New playground equipment has been installed near Haley Street. Arcadia Studios is supplying the design services for this project. The final design for landscaping improvements (including 4 new benches and removal of the wood post bollards along the adjacent paved vehicle-way) is expected in June. A construction bid package is expected to be released in August.

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, a Cultural Development Symposium, co-sponsored by the Redevelopment Agency, the City Arts Advisory Committee and the Downtown Organization, was held on July 15, 2002. The symposium was a forum 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 community. Former Mayor Harriet Miller spoke on behalf of the Santa Barbara Center for the Performing Arts Board (SBCPA). The SBCPA has acquired the Granada Theater, with a goal of improving and expanding the theater to provide up to 1,600 seats. Rod Lathim of the Community Youth Performing Arts Center described his group's $2.1 million renovation of the 800-seat auditorium at Santa Barbara Junior High School. The Santa Barbara Community Arts Workshop discussed their proposal to develop a rehearsal/workshop space on Redevelopment Agency-owned land located at Quarantina and Cacique Street. Downtown Organization President Eric Kelly spoke to the issue of the development of additional movie screens and continued promotion of the Cultural Arts District. The afternoon featured presentations from a wide range of visual and performing arts groups. Other presenters, UCSB's Arts & Lectures program and the Santa Barbara Symphony and CAMA, both voiced a need for new facilities, with additional rehearsal space and increased visual arts representation. In an effort to provide more diversity in programming and to promote inclusion of Latino audiences, there was a call to create a grassroots arts center for incubator performing groups and visual artists that would help link artists and the community. It was suggested that local nonprofit organizations provide arts education to students of the Santa Barbara elementary and secondary schools. The Redevelopment Agency's contributed $3,000 to the fund the symposium.

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. In Fiscal Year 2002, the Agency granted $75,000 to the County Arts Commission towards a one-man exhibit by internationally recognized artist, William Tucker. In response to several requests that the next State of the Art Gallery exhibition feature locally produced art, County Arts Commission staff had begun developing a slide registry for Tri-County artist producing sculpture that is suitable for outdoor public exhibition. It is anticipated that an exhibition featuring local artists would be ready for display in the summer of 2003. The State of the Art Gallery Curatorial Committee was granted authority to use $9,050 of the remaining 2002 funding to continue with public outreach and education efforts throughout 2003 and an additional $35,000 was granted for the local artists' exhibit.

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 acquiring nine separate parcels (or portions thereof) located adjacent to City Parking Lot 6 and the Granada Building. The property is mostly located on an interior portion of the block with a 12' x 110' paseo walkway that extends to State Street. The site is currently improved with the walkway and a surface parking lot, which is incorporated into City Parking Lot 6 and leased by the City on a month-to-month basis. These parcels could provide temporary parking area and staging during Lot 6 construction, or potentially be used as either a site for Ensemble Theatre or other redevelopment project, or as an affordable housing site. On Feb. 12, 2002, the Agency Board held a closed session and authorized staff to take preliminary steps in the acquisition process. The first step was the initiation of an appraisal, which was completed in October 2002. The appraised value of the property is $1,209,000. At this point, the only expenditures have been for appraisal services with Reeder, Gilman and Associates for $14,400. Offer letters, mailed in January, received no positive response. The Agency will send out another mailing reaffirming the Agency's continued interest in purchasing the parcels and delaying further negotiations until the Agency knows the financial impact of the State budget for 2004.

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. Key issues relate to parking in the loop road, trash collection, pedestrian circulation, public restrooms, programming and facility upgrades. Public hearings at the City's Planning Commission and Council and Redevelopment Boarding meetings will be held prior to October 2003.

SANTA BARBARA TRUST FOR HISTORIC PRESERVATION - CASA DE LA GUERRA

In Fiscal Year 2000, the Santa Barbara Trust for Historic Preservation (Trust) 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. To date, the Trust has completed and has been reimbursed for the roof restoration on the East Wing, which included replacing rafters with round beams with leather strapping and caning, Room One needed extensive renovation after a wall was replaced, Room Two had storage cabinets for volunteers and kitchen facilities, Room Three is now an ADA-compliant restroom, the Entrance Steps have been made hazard-free, all doors throughout the Casa have replicated historic door handles, and the Stone foundation has been restored along the Street of Spain. All areas required archaeological monitoring.

SANTA BARBARA TRUST FOR HISTORIC PRESERVATION - RESEARCH CENTER

The Research Center building is a City-designated historic structure of merit located at 215 East Canon Perdido adjacent to the Alhecama Theater. The Santa Barbara Trust for Historic Preservation (Trust) has embarked on restoring this structure into a research center. The Center for the Study of Early California History and Cultures will be a regional resource of early California history. Clients will include scholars and students and will be open to the public. Exterior changes to the center include a new window on the north elevation, alterations to the entry, the addition of a patio and accessibility ramp and the application of a new roof and paint. Two buildings will be removed and a new retaining wall and landscaping has been proposed. At present, the Trust has received their grant of $50,000 and is in the midst of construction.

PEARL CHASE SOCIETY

The Pearl Chase Society co-sponsored the 28th Annual California Preservation Conference in April 2003 in Santa Barbara. The Opening Reception was held at the Agency-owned Santa Barbara Railroad Station, which is

a completed Agency historical restoration project. The four-day conference hosted over 500 preservationists, historian, architects, planners, homeowners, and citizen activists from around the state in historic educational sessions, workshops and tours. The Agency was asked to fund general expenses: mailings and all program-related printed material, rental of the Cabrillo Pavilion, City-employee registrations, promotions and parking. The Agency also contributed to the Opening Reception. Total Agency funding for this conference was $28,000.

CONTEMPORARY ARTS FORUM

In continuing support for the arts in the downtown area, the Agency granted $17,500 to the Contemporary Arts Forum in the Paseo Nuevo shopping center. The Contemporary Arts Forum and the Center Stage Theater are two art venues that were incorporated into the mall in a deliberate endeavor to increase art venues in the historic downtown cultural district. The Contemporary Arts Forum hired locally based professionals to convert their library into more gallery area by adding a full wall, removing a drop ceiling and adding more lighting. The project was completed in the fall of 2002.

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. 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. The Downtown Organization received another grant of $32,800 in FY 2003 towards five additional holiday art sculptures. Two new pieces were designed and fabricated and installed by November 2002. The remaining three pieces are anticipated to be built before the 2003 holiday season.

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 $58,500 for Cultural Promotions during the Fiscal Year 2003. The elements of the integrated promotional program include: a 30-second television spot that ran in December 2002; local and regional radio advertising began in November of 2002 and ran through May of 2003; and a print campaign including a multi-issue magazine and newspaper contract. A Historic Arts District map/brochure is being developed. Currently, the ads are being sold and the brochure will be printed early in Fiscal Year 2004.

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. 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.

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. The Agency has contracted with Alex Cole Associates to perform a required Section 106 study. The Agency is awaiting official State Historical Preservation Office approval of the Section 106 study, which will trigger the funding authorization from Caltrans before beginning the next phase of the project to turn Signalman's Building into a small railroad museum.

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 has been selected for funding. The Caltrans matching grant will be an estimated $350,000. The Agency has allocated $46,000 in matching funds towards the development of the Historic Railroad Spur. The Agency is in the process of complying with federal environmental regulations in order to get funding authorization from Caltrans.

RAILROAD SOUTH PARKING LOT

At the time 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 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. The lot entry and ticket dispenser will be relocated along Rey Road. The lot will receive a new asphalt surface, while Rey Road and the entry apron will be concrete. Seven new light/lamp posts will be installed and a low retaining wall will be erected along the eastern landscaped slope. Plans call for removal/transplanting and replacement of much of the perimeter landscaping, however, the large existing Canary Island Date Palm tree along the lot's eastern boundary will remain. Forty-two automobile spaces and motorcycle parking will be provided. 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.

125 CALLE CESAR CHAVEZ

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 to determine the ultimate use of the four original parcels totaling 2.4 acres at 125 Calle Cesar Chavez is currently on hold due to the State budget crisis and current economic conditions. A determination will be 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 for the property 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. The

planning process is on hold pending the State budget impact as is the pursuit of opportunities to acquire additional adjacent parcels.

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 an annual statistical report that measures the 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.

HAZARDOUS WASTE AT LOT 12

Parking Lot 12 was originally the site of a dry cleaning business. There was contamination both in the soil and the groundwater when the property was purchased by the City in 1991 for use as a parking lot. The City successfully remediated the chlorinated constituents in the soil to concentrations below the clean-up levels set by the Regional Water Quality Control Board. But the groundwater continued to have contamination well above the clean-up threshold. It was determined that an in-situ remedial action would be required. The Regional Water Quality Control Board recommended a new dechlorination technology by which chlorinated solvent groundwater plumes can be contained and/or remediated with the use of Hydrogen Release Compound (HRC). Padre Associates, Inc. contract was to prepare a remedial action plan, utility clearance, application of the HRC compound via a geoprobe, monitoring before and after injection and provide a written summary. Regenisis was the vendor for the HRC. To date, the HRC was applied in April 2003 and monitoring is continuing. The total cost of the remediation is expected to be $40,500.

CASMALIA DISPOSAL SITE CLEAN-UP

As part of the development of the Paseo Nuevo mall over 10 years ago, the Redevelopment Agency made legal shipments of hazardous waste to the Casmalia Disposal Site. Over the last five years, the Environmental Protection Agency (EPA) has been marshalling funds to investigate and remediate toxic contamination of soils and water at Casmalia. The Agency Board has held numerous closed sessions jointly with the City over the years to discuss the Redevelopment Agency's options for addressing its responsibilities at this superfund site. The Agency negotiated settlement of the clean-up costs of the Casmalia Toxic Waste Site was $369,020.15.

EDUCATION REVENUE AUGMENTATION FUND

Once the State budget was approved on September 1, 2003, it was determined that the State had reestablished the Education Revenue Augmentation Fund using the same formulas that governed the similar shift in the early 1990's. Redevelopment agencies would be required to shift property tax revenues to K-12 schools and community colleges during the 2003 fiscal year. The State Department of Finance sent notice in October that the Redevelopment Agency's required payment would be $424,948 and was due May 10, 2003. The Agency had appropriated adequate funds in the 2003 Budget to cover this payment

AGENCY'S AFFORDABLE HOUSING PROGRAM

4200 CALLE REAL (ST. VINCENT'S)

Mercy Housing California, 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 recently annexed by the City near Highway 154 and Calle Real. The Agency has committed $10.6 million to the project, $3.6 million of which is in the form of a predevelopment loan, and the County has committed $2.5 million. The majority of the remaining funding will come from HUD 202 funds and four percent tax credits that are anticipated. Construction is expected to start in 2004.

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

The City's Housing Authority has completed construction of 42 new studio and one-bedroom apartments for downtown workers. The Agency provided $1.9 million in grant and loan funds for acquisition and construction plus $600,000 in California Housing Finance Agency HELP funds for predevelopment/short-term gap financing. The project was built at a density equivalent to 54 units per acre. The impacts of traffic and parking were mitigated by a requirement that all tenant households work downtown and own no more than one vehicle. Casa de Las Fuentes has won the 2003 Outstanding Planning Project Award from the California Chapter of the American Planning Association and the 2003 Helen Putnam Award for Excellence from the League of California Cities. Other downtown worker housing projects are being planned as the City implements its smart growth housing development plans.

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 preparing plans for 60 single-room occupancy units on the half-acre site.

309 – 327 SOUTH VOLUNTARIO STREET

The Agency and City have provided a total of $2 million in grant and loan funds to the City's Housing Authority for the construction of 20 new affordable housing units. The property is located adjacent to an existing 7-unit Housing Authority project. The existing units will be renovated and incorporated into the design of the new units resulting in one unified 27-unit affordable housing project. Construction is expected to start by late 2003.

818 GARDEN STREET

Laguna Cottages, a local nonprofit organization that provides low-income seniors with affordable housing, will soon start construction of 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. In securing grants instead of loans, Laguna Cottages is able to offer rent levels affordable to very low-income seniors.

1221 ANACAPA STREET

The Agency selected Peoples' Self-Help Housing Corporation through a Request for Proposals process for the development of 12 new affordable housing units on a tiny parcel adjacent to the new Granada Garage 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 provided a predevelopment loan for the project, and the City has committed $480,000 to date in permanent financing. Construction has been delayed indefinitely due to the need to redesign the Granada Garage, as described above.

210 WEST VICTORIA STREET / 219 WEST SOLA STREET

Peoples' Self- Help Housing Corporation will build 6 new apartments on a portion of this small bungalow cottage court site. The City and Agency assisted Peoples' with the original acquisition and rehabilitation of the cottages, provided predevelopment loans for designing the new units, and committed $480,000 in permanent financing. Construction is expected to commence in 2004.

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 residential units over ground floor commercial space, the other a former restaurant. The rear of the property is adjacent to the homeless shelter Transition House operates. Transition House acquired the property in order to expand its inventory of affordable housing available to families ready to leave the homeless shelter and to provide services for its 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.

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. Like the project described above, 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 enough to accommodate additional units. The City provided Transition House with a predevelopment loan to design the new units and a $480,000 permanent loan for construction. Construction is underway, with occupancy expected in 2004. Agency funds have not been used, however, Agency staff was actively involved in arranging City financing for the project.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT - FISCAL YEAR 2004
(NOT COVERED IN AUDITOR'S REPORT)

INTRODUCTION

This report, covering the projected program year for the fiscal year ending June 30, 2004, 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 2004 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2004, including appropriations from prior year balances.

FISCAL YEAR 2004 WORK PROGRAM

HOUSING PROGRAMS FUND PROJECTS

Housing Revolving Fund: *$500,000*

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

REDEVELOPMENT AGENCY GENERAL FUND PROJECTS

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

Property Management: *$75,000*

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: *$10,000*

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

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.

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 Reserves: *$50,000*

REDEVELOPMENT CAPITAL FUND PROJECTS

Carrillo Street Sidewalk Construction Project: *$432,500*

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: *$685,600*

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

State Street Sidewalks Phase I Modifications: *$121,300*

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.

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.

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: *$194,000*

Funds to complete the renovation of the station sub-flooring and tile replacement as well as various maintenance issues that arise at the City Landmark.

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.

BOND CAPITAL PROJECTS

Lot 6 Parking Structure - Design and Construction: *$15,000,000*

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: *$5,161,400*

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

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: *$2,480,000*

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.