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, 2010

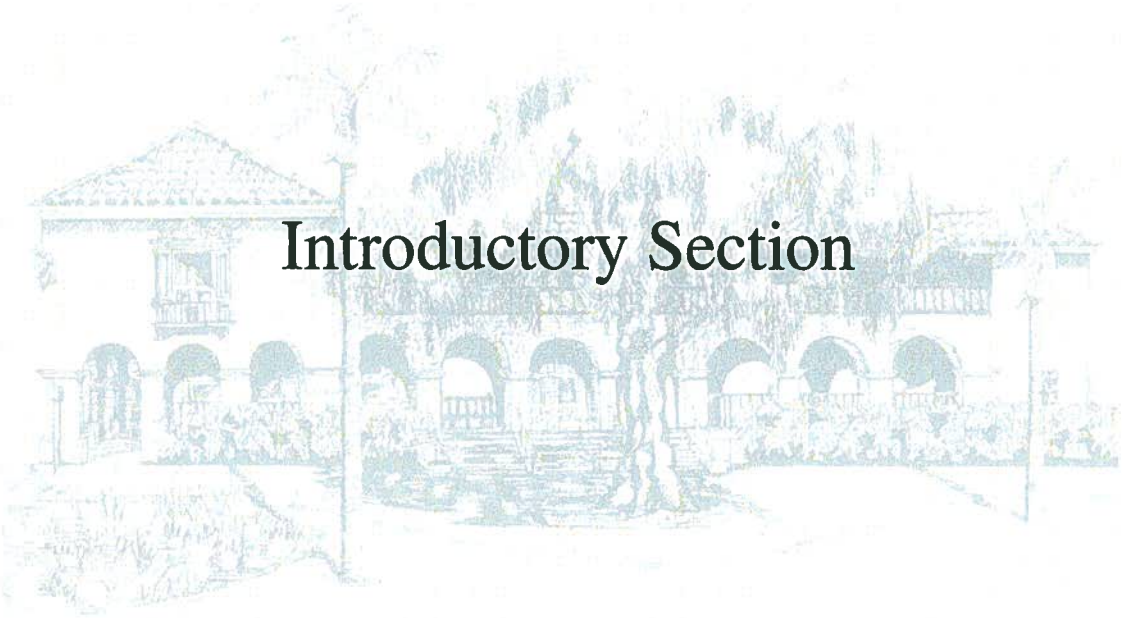
Redevelopment Agency of the City of Santa Barbara, California

A Component Unit of the City of Santa Barbara

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

ROBERT SAMARIO, AGENCY TREASURER AND FISCAL OFFICER



Introductory Section

Introductory Section

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2010

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City of Santa Barbara

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www.SantaBarbaraCA.gov

December 14, 2010

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the Redevelopment Agency of the City of Santa Barbara (Agency) for the fiscal year ended June 30, 2010. The report was prepared by the Finance Department of the City of Santa Barbara on behalf of the Agency and responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures, rests with the Agency. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Agency.

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

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

ECONOMIC CONDITION AND OUTLOOK

The primary economic factor affecting the Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The strong real estate market from 2000 through 2007 has resulted in continued and substantial growth in revenues and, thus, allowed for the funding of important projects and activities during that period. While local real estate values have generally declined significantly over the last two years in connection with the nation-wide economic downturn and housing slump, the Agency has enjoyed strong growth in property tax increment revenues. The continued growth is due to the fact that property taxes are generally only reassessed when property changes ownership. Otherwise, taxes can only increase by the Consumer Price Index (CPI) up to a maximum of 2% per year. Therefore, revenues will decline only to the extent that actual market values, which have risen dramatically over the last ten years, fall below the assessed value. Therefore, even though prices are declining, the effect on property taxes is uncertain. Over the past few years the City of Santa Barbara's Redevelopment Agency has seen a slowing of growth in property tax revenues and this appears to be a likely scenario for the next few fiscal years. Accordingly, the Agency has budgeted a modest 1% decrease in tax increment revenues from the prior year's budget (Fiscal Year 2010), bringing the budgeted total to approximately $20.1 million.

The State of California is experiencing a severe budget crisis due to a significant drop in many key revenues. The Governor and the legislature will be working on a plan to get the State through these difficult times. Given the magnitude of the problem, and the history of the State's budget balancing strategies, the State has again passed a budget that proposes to take money from redevelopment agencies in an effort to help balance the budget. Agency funds continue to be used to close the State's budget gap, and this results in significant impacts on the Agency's operations. In Fiscal Year 2010, the State took $6.8 million from the City of Santa Barbara's Redevelopment Agency and is scheduled to take an additional $1.5 million in Fiscal Year 2011. The California Redevelopment Association has filed a lawsuit in response to the proposed takings which is currently under appeal; however, there is no known time frame for a resolution of that lawsuit. State Proposition 22 which prohibits the State from borrowing or taking funds used for redevelopment, transportation, or local government projects and services, was recently passed by the voters.

MAJOR INITIATIVES

FIRE STATION #1 RENOVATION (2003A BOND AND CAPITAL FUNDS)

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

The Fire Station #1 Remodel Project was included in the Agency's 2003 Tax Allocation Bond issuance at a funding level of $3.3 million. When a Feasibility Study indicated a total project cost of $8.5 million, the project's scope was reduced to focus on the structural adequacy and living conditions in Fire Station #1 and to reduce the funding gap. An additional $1 million from the same fund was appropriated in the Agency's Fiscal Year 2007 budget. On July 24, 2007, Council and the Agency Board received a status report authorized by the Public Works Director to execute a contract for final design, and approved a funding strategy that included an additional appropriation of $1.26 million. Another $1,075,614 was appropriated at the time of the awarding of the construction contracts, bringing the total allocation of Redevelopment funds to $6.7 million.

The Fire Station #1 Seismic Renovation Project was successfully completed in October 2009 and is now in full use by the fire crews and emergency services staff. The project has received a LEED Gold Rating for its sustainable renovation techniques.

FIRE STATION EMERGENCY OPERATIONS CENTER (CAPITAL FUNDS)

The City's former Emergency Operation Center (EOC) at the Police Department headquarters was insufficient for coordination of a large disaster. The EOC Project has many of the infrastructure elements and characteristics essential to an effective response center including: an emergency generator, an electronic communication hub, sufficient operating square footage (twice the size of the old EOC at 1,650 square feet) for EOC staff, and a centralized location. The EOC at Fire Station #1 configured to be utilized as a dual purpose classroom and EOC serving the project area. The facility now meets the seismic occupancy requirements as an "Essential Facility." The room was designed to accommodate 42 occupants in a multitude of configurations, based on need. The design incorporates the use of flexible lighting options, visual display boards, telecommunications, and off-the-shelf audio and video equipment.

On February 29, 2009, the Agency Board authorized the expenditure of $303,595 from the Fire Station #1 EOC Account to fund the construction of an EOC as part of the Fire Station #1 Seismic Renovation Project. The breakdown of the expenditures was $260,000 for construction and $43,595 for equipment and services to complete the EOC. Additional Agency funding brought the total funding to $339,000. This project was completed concurrently with the main Fire Station renovation.

WEST DOWNTOWN IMPROVEMENT PROGRAM (2003A BOND)

The West Downtown area is that portion of the Central City Redevelopment Project area bordered by Carrillo Street on the north, Highway 101 on the west and south, and Chapala Street on the east.

The project scope was developed based on the priorities and project elements identified by neighborhood residents through a public outreach process working with the City's Public Works Department - Engineering Division and Agency Staff with a primary focus on improving pedestrian safety along the Anapamu Street and Ortega Street corridors. The scope of work included landscape design that created a consistent theme and walkable corridors between the Westside and downtown. The top priorities of the project were pedestrian-oriented street lighting, sidewalk improvements including bulbouts at intersections, City trash and recycle receptacles, permanent bike lanes on Castillo and Bath Streets, and landscaping. The majority of construction activity was at eight intersections – from Castillo to Chapala Streets along Ortega and Anapamu Streets. There was a net gain of 88 new street trees.

The construction contract was awarded to C.S. Legacy Construction in July 2009. Construction began in August and continued through September 2010. The Agency allocated $3.75 million from its 2003A bond proceeds for this program.

CARRILLO RECREATION CENTER (2001A & 2003A BOND)

This three-story 20,000 sq. ft. structure was built in 1913 and needed to be brought up to current performance standards, including seismic upgrades, ADA compliance, and extending the useful life of the building's core systems.

In April 2008, the Agency Board awarded the final design contract to KBZ for $496,526. The project addresses seismic issues noted above and improves ADA access by adding an elevator and two lifts, one of which will provide access to the stage area. The restrooms have been rebuilt to comply with ADA requirements. The project also updated the HVAC and electrical systems. It provides an improved office configuration and an additional dance studio for better functionality and service to the community. The finishes for the building will reflect the historical period and many of the original architectural features will be restored. The landscaping will be completed around the building and a portion of the power demand of the center will be supplied by installing solar panels on the roof of the gymnasium. The full project incorporated green building materials and construction techniques in alignment with the City's Sustainability Goals of pursuing a LEED Certified rating.

Tasco Construction, Inc. was awarded the construction contract at $3,673,000 in the first quarter of Fiscal Year 2010. With other construction contracts, the total construction cost will be $5.6 million. The ballroom wheel chair lift installation and ballroom systems were commissioned in May 2010 with the ballroom having a separate opening on June 25, 2010.

Construction is expected to be completed by February 2011 with landscaping to be accomplished later under a separate contract.

WEST BEACH PEDESTRIAN IMPROVEMENTS (2003A BOND)

The goal of the West Beach Pedestrian Improvement Project is to enhance the pedestrian linkage between Stearns Wharf and the Harbor. In March 2006, the Agency approved the conceptual design of Phase I of the project. On January 27, 2009, Richard Irvine and Raphel Perea de la Cabada were awarded a contract

in the amount of $164,500 for design, fabrication and construction consulting of the public art portion of the project. On May 12, 2009, Elevation General Engineering was awarded the construction contract in the amount of $1,895,142, Fugro West was awarded the materials testing purchase order for $13,500 and Penfield and Smith was awarded the construction support contract for $30,000. As part of the Fiscal Year 2007 budget, the Agency appropriated an additional $1.25 million to the existing $2 million appropriation, and an additional $250,000 as part of the Fiscal Year 2009 budget, for a total funding amount of $3.5 million. Construction began in early June 2009 and was completed in June 2010.

As part of the West Beach Pedestrian Improvement project planning process, interest was expressed to further evaluate and study the adjacent sandy beach area. The Agency provided $15,000 in order to contract with Pat Saley and Associates to undertake a focus study of the area known as West Beach. This process was initiated in the spring of 2009. The goal of the *West Beach Planning Study* was to identify existing activities and consider adding or improving public uses and/or structures on or near the West Beach area. Additionally, evaluation was given to possibly encourage more use of the beach area and improve its overall appearance and ambiance, which would help draw people into the harbor. The consultant met with current users, stakeholders, business owners, City staff members, and Coastal Commission staff and received input from the Parks and Recreation Commission, Planning Commission and Harbor Commission. The study was presented to Council in August of 2010.

AGENCY'S AFFORDABLE HOUSING PROGRAM

618 SAN PASCUAL (HABITAT FOR HUMANITY)

Habitat is in the middle of construction of four new low income ownership housing units. Habitat's well-tested construction formula includes donated materials and technical assistance from the local development community, volunteer labor, future homeowners' labor (sweat equity), and grant funds and donations from a wide range of foundations, local churches, and individuals. The Agency provided $400,000 in State HELP funds for acquisition in the form of a short-term loan which Habitat has repaid. Agency staff secured $660,000 in City HOME funds for construction plus a $40,000 grant of HOME funds to help pay the salary of construction supervisor. Construction is expected to be completed in early 2011.

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

The Housing Authority is in the middle of construction of a new 55-unit project that will house low income downtown workers, aging foster youth, and the homeless. The project was awarded $11.7 million in tax credits. The Agency provided $4 million for acquisition of the property plus $284,583 for construction. Agency staff also secured $915,417 in HOME funds for construction, bringing the total local subsidy to $5.2 million. Construction is expected to be completed in 2011.

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

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

The building at 421 East Cota Street (it once housed the old Mom's restaurant) has structural issues that limit development options. Transition House plans to demolish the structure, build eight new affordable

housing units over a ground-floor infant care center, rehabilitate the existing eight apartments next door, and connect the two buildings. The Agency provided a $120,000 predevelopment loan for the new construction. While previous tax credit applications have not been awarded, Transition House has been encouraged to resubmit, with their application due in July. The Agency has committed $150,000 for rehabilitation of the existing units, and Agency staff secured $100,000 in Community Development Block Grant (CDBG) funds for replacement of the roof. Agency staff also secured $850,000 in HOME funds for predevelopment and construction of the new units. If their tax credit application is approved, Transition House would commence construction in early 2011.

OTHER INFORMATION

Component Unit Reporting

Under reporting requirements prescribed by GAAP adopted by the GASB, the Agency's results of operations are also reported in the City of Santa Barbara's CAFR. GASB rules require the City to include all component units under its control in the City's CAFR. Specific interpretation for redevelopment agencies requires their inclusion in the City's CAFR. No express or implied assumption of any of the Agency's liabilities by the City, either at present or in the future, is made by the inclusion of the Agency's financial results in the City's CAFR. The Agency remains separate for all legal purposes. Accordingly, the accompanying basic financial statements are issued as a separate component unit report of the City.

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 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 recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the Agency's system of internal accounting controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The Agency's internal controls are subject to periodic evaluation by the Agency's management.

Independent Audit

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

Acknowledgments

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

Respectfully Submitted,

James L. Armstrong
Executive Director and Secretary

Robert Samario
Agency Treasurer and Fiscal Officer

REDEVELOPMENT AGENCY
OF THE
CITY OF SANTA BARBARA

Directory of Agency Officials

June 30, 2010

Helene Schneider
Chairperson

Dale Francisco
Member

Frank Hotchkiss
Member

Grant House
Member

Michael Self
Member

Bendy White
Member

Das Williams
Member

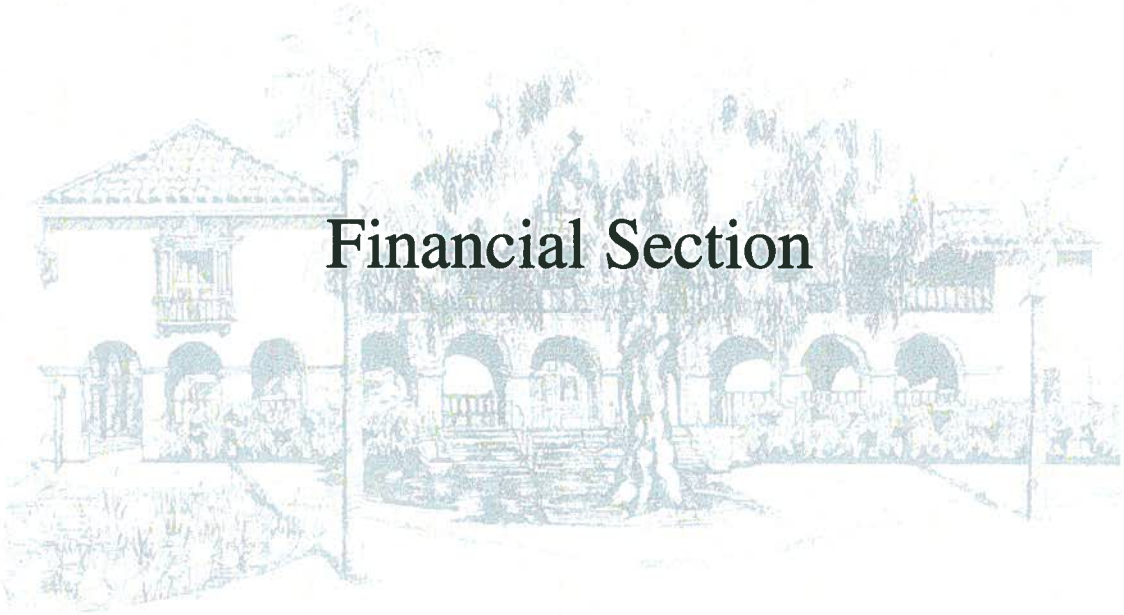
James L. Armstrong
Executive Director and Secretary

Paul A. Casey
Deputy Director

Robert Samario
Agency Treasurer and Fiscal Officer

Stephen P. Wiley
Agency Council

Brian Bosse
Housing & Redevelopment Manager



Financial Section

Financial Section

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Santa Barbara (Agency), a component unit of the City of Santa Barbara, California (City), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis and budgetary comparison information on pages 3 to 11 and 30 to 32 are not a required part of the 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 required supplementary information. However, we did not audit the information and express no opinion on it.

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

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 9, 2010

Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

This section presents an overview of the Agency's financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages iii-vii of this report.

FINANCIAL HIGHLIGHTS

- Total assets of the Agency were $183.7 million at June 30, 2010, a decrease of approximately $8.8 million from the prior year.

- Net assets (assets over liabilities) of the Agency at June 30, 2010, totaled $123.1 million, a decrease of $1.5 million from the prior year. Of the total net assets, approximately $7.6 million is unrestricted and, thus, available to meet the Agency's ongoing obligations to citizens and creditors.

- Revenues of the Agency for the year ended June 30, 2010 totaled $21.4 million and government-wide expenses totaled $15.7 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to present financial information about the Agency as a whole, 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 primarily from the sale of bonds. The debt service costs associated with the bonds are funded from property taxes generated from the improvements made.

The government-wide financial statements can be found on pages 12 and 13 of this report. 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, presented as "Net Assets," measures the financial health of the Agency at year-end. Over time, the change in net assets indicates whether the financial health of the Agency is improving or declining. 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."

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over financial 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 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 short-term receipts and disbursements of "spendable" resources. For example, a

governmental fund does not report capital assets in its Balance Sheet, such as buildings or equipment, since these financial resources cannot be used to pay for operating costs. Therefore, net assets reported in a governmental fund are not intended to measure its financial condition, but rather the short-term resources available for appropriation, which 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 three 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, and Capital Projects Fund. The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

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.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Assets

Table 1 below provides a summary of the Statement of Net Assets as of June 30, 2010 and 2009, which can also be found on page 12 of this report.

Table 1
Redevelopment Agency of the City of Santa Barbara
Summary of Net Assets
As of June 30, 2010 and 2009

	2010	2009
Current and other assets	$ 93,087,916	$ 101,290,008
Capital assets	90,650,658	91,243,846
Total assets	183,738,574	192,533,854
Current liabilities	1,339,039	2,298,221
Long-term liabilities	59,294,808	65,646,282
Total Liabilities	60,633,847	67,944,503
Net assets:		
Invested in capital assets, net of related debt	49,844,147	53,141,953
Restricted	65,633,594	57,472,302
Unrestricted	7,626,986	13,975,096
Total Net Assets	$ 123,104,727	$ 124,589,351

As of June 30, 2010, assets for the Agency totaled $184 million, a decrease of approximately $8.8 million from the prior year. Capital asset additions totaled $7.7 million for the year and depreciation was $1.8 million which resulted in a net increase of approximately $5.9 million. The Agency also completed the Fire Station #1 remodel project and ownership of the $6.5 million capital asset was transferred from the Agency to the City of Santa Barbara (the City) General Fund (which owns the fire station). The cost was capitalized and reported in the City's government-wide financial statements in the City's CAFR. This transfer resulted in a net $593,000 decrease in capital assets this year.

Cash and investments decreased from $28.1 million in Fiscal Year 2009 to $26.2 million in Fiscal Year 2010 and restricted cash with fiscal agents decreased $7.6 million from $26.6 million to $19 million. Cash and investments decreased $1.9 million, which is primarily the result of the $6.8 million Educational Revenue Augmentation Funds (ERAF) payment made to the State of California as part of the State's budget balancing plan. Restricted cash with fiscal agents decreased $7.6 million due to capital project expenditures in excess of investment earnings in the bond capital funds during the year.

Liabilities at year-end totaled approximately $60.6 million, a $7.3 million decrease from the prior year. This is primarily due to debt service payments. The agency paid down $5.3 million of principal on outstanding tax allocation bonds and also repaid the $750,000 California Housing Finance Agency (CHFA) loan during the year. Accounts payable also decreased almost $732,000 at year-end due to the timing of expenditures around year end.

Net assets as of June 30, 2010, totaled approximately $123.1 million, a decrease of almost $1.5 million. Of this total, $49.8 million is invested in capital assets (net of related debt); $65.6 million is restricted, primarily for low and moderate-income housing projects; and approximately $7.6 million is unrestricted. Expenses exceeded tax increment revenues by $2.8 million while investment earnings, program revenues, and other revenues totaled approximately $1.3 million.

Statement of Activities

Table 2 provides a summary of the Statement of Activities for the Agency for the fiscal years ended June 30, 2010 and 2009. As shown in Table 2, revenues for the year ended June 30, 2010, totaled $21.4 million, a decrease of almost $1.7 million from 2009. Property tax increment revenues were $20.1 million, making up almost 94% of total revenues. Property tax increment revenues are generally the largest and primary source of revenues for redevelopment agencies due to the nature and financing mechanism established by State law. Tax increment revenues were mostly unchanged from the prior year increasing by only $87,000 (0.4%) from the prior year.

Table 2
Redevelopment Agency of the City of Santa Barbara
Statement of Activities
Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
Program Revenues:		
Operating grants and contributions	$ 409,788	$ 591,951
Capital grants and contributions	553,775	-
General Revenues:		
Property taxes	20,124,451	20,037,894
Investment earnings, unresticted	350,013	2,147,301
Other revenue	4,091	331,544
Total revenues	21,442,118	23,108,690
Expenses:		
General government	12,348,158	2,412,836
Housing	1,171,044	1,517,826
Debt service - interest	2,912,771	3,049,148
Capital improvements *	-	2,550,973
Total expenses	16,431,973	9,530,783
Increase in net assets before Transfers	5,010,145	13,577,907
Transfer to City of Santa Barbara	(6,494,769)	-
Increase (decrease) in net assets	(1,484,624)	13,577,907
Net Assets, beginning of year	124,589,351	111,011,444
Net Assets, end of year	$ 123,104,727	$ 124,589,351

* Non-capital improvements reclassified to general government in FY 10

Interest earned on investments totaled $350,000 in Fiscal Year 2010. Interest earnings are derived from investments, including invested bond proceeds held by fiscal agents. In Fiscal Year 2010, interest earnings fell by $1.8 million (84%) due to a $7.6 million decline in investments with fiscal agents as well as a general decline in interest rates.

Operating grants and contributions includes $324,000 of interest on outstanding Agency loans receivable from the Agency's home rehabilitation loan program and $86,000 of intergovernmental revenue received from CalTrans. Capital grants and contributions includes $522,000 for a grant received from the Santa Barbara Trust for Historic Preservation for various downtown projects and $32,000 from other grantors. Interest on the housing rehabilitation loans is not affected by the interest rate environment, but by the number of loans outstanding and the interest rate contracted when the loans were made.

Expenses totaled $16.4 million, a $6.9 million increase from the prior year. General government expenses of the Agency increased by $9.9 million from the prior year primarily due to a $6.8 million ERAF payment to the State of California and reclassifying "non-capitalized" expenses from the "Capital Improvements" category to "general government" category in the current year. The reclassification also resulted in a $2.6 million decrease in Capital Improvements expense from the prior year in the capital improvement category. Transfers to the City totaled $6.5 million this year as a result of the transfer of costs to renovate Fire Station #1 to the City. The Agency capitalized $7.7 million of capital assets this year, consisting of $4.8 million in infrastructure, $863,000 in improvements, $407,000 in equipment and $1.6 million in construction in progress. Depreciation expense totaled $1.8 million.

ANALYSIS OF FUND FINANCIAL STATEMENTS

Individual 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 only *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, 2010, and June 30, 2009, presented on a modified accrual basis.

Table 3
Redevelopment Agency of the City of Santa Barbara
Combined Balance Sheet
As of June 30, 2010 and 2009

	2010	2009
Assets		
Cash and investments	$ 26,164,197	$ 28,065,155
Accounts receivable	106,457	-
Accrued interest receivable	31,122	88,443
Loans receivable	46,543,358	44,919,652
Cash and investments with fiscal agents	19,049,834	26,620,735
Total Assets	91,894,968	99,693,985
Liabilities		
Accounts payable	637,516	1,369,298
Deposits	3,000	14,000
Interest payable	-	167,269
Total Liabilities	640,516	1,550,567
Fund Balance		
Reserved for:		
Encumbrances	3,395,103	2,931,049
Long-term receivables	46,543,358	44,919,652
Redevelopment activities	32,589,403	41,800,637
Low and moderate income housing	8,726,588	8,492,080
Total Fund Balance	91,254,452	98,143,418
Total Liabilities and Fund Balance	$ 91,894,968	$ 99,693,985

Assets at June 30, 2010, totaled approximately $91.9 million. The largest asset category, at $46.5 million, is loans receivable. Loans receivable, which increased $1.6 million from prior year, primarily include loans provided to low and moderate-income households from the 20% of tax increment set aside for housing projects pursuant to State law. These loans also include those made to non-profit developers for purposes of increasing the number of affordable housing units in the City. The Agency periodically has loaned money to qualified non-profit agencies, including $3.5 million to the Santa Barbara Mental Health Association (MHA) for construction of a 50-unit housing facility for low-income MHA clients and downtown workers. As these loans are repayable over more than one year and, therefore, are not currently available for appropriation, a corresponding amount of fund balance is "Reserved for long-term receivables" as shown in Table 3.

Cash and investments (including cash with fiscal agents of $19 million) totaled $45.2 million. The majority of the cash and investments with fiscal agents represent bond proceeds which will be used for redevelopment projects over the coming years. The balance represents funds held as a bond reserve pursuant to related bond indenture provisions for the benefit of bondholders. Cash and investments with fiscal agents decreased by approximately $7.6 million from the prior year as these funds were disbursed for the capital projects and other program expenditures. There was a decrease of $1.9 million in pooled cash and investments (i.e. not held by fiscal agents). Major uses of pooled cash and investments include the $6.8 million ERAF payment imposed by the State and the $9.7 million transfer to the Capital Projects Fund for debt service and project expenditures.

Total liabilities decreased by approximately $910,000. The decrease was almost entirely due to the timing of expenditures at year end. Expenditures incurred but not paid until Fiscal Year 2010 were recorded as accounts payable at June 30, 2010.

In total, fund balance decreased $6.8 million, from $98.1 million to $91.3 million at June 30, 2010. The $1.6 million increase in reserve for long-term receivables is due to the net increase in long-term loans receivable. The $9.2 million decrease in the reserve for redevelopment activities is the net result of the ERAF payment to the State and expenditures on projects and debt service, netted against net revenues. The accumulation of fund balance is for future redevelopment activities. Low and Moderate Housing reserves increased $234,500 due to year-end surplus of revenues over program expenditures and changes in long-term receivables in the Low and Moderate Income Housing Fund. Fund Balance reserved for encumbrances and carryovers increased $464,000 from the prior year. This is primarily due to the timing of expenditures for budgeted projects that were encumbered or budgeted during the year but not expended at year end.

GENERAL FUND HIGHLIGHTS

Table 4 recaps the budgeted and actual results of operations of the Agency's General Fund for the fiscal year ended June 30, 2010, including the originally adopted and final amended budget amounts. The adopted budget for revenues remained unchanged during the year at $16.7 million, which included a $16.3 million estimate for property tax increment revenues and $318,000 for use of money and property revenue. Actual revenues for the year were $16.4 million, resulting in a shortfall of $287,000. Property tax revenues represent approximately 98% of total budgeted revenues and amounts are budgeted conservatively given the narrow base of revenues received by the Agency. Despite the conservative budgeting, the overall state of the local economy and decreasing property values resulted in a $238,000 revenue shortfall at year-end. The $49,000 negative variance in use of money and property revenue is due to the continued decline in the yield on the Agency's investment portfolio.

Expenditures (excluding transfers) were budgeted at $2.6 million on July 1, 2009, with the final budget increasing $8.5 million to $11.1 million. The largest increase in appropriations was a $6.8 million increase in project expenditures for the ERAF payment to the State of California. The other $4.3 million increase in appropriations consist of the carryover of appropriations from the prior year's budget as well as additional appropriations approved by the Board during the year.

As shown in Table 4, actual expenditures of $9.5 million for the year were $1.7 million below budget. Of this total, $1.4 million of the variance was in the "Projects" category as the Agency reduced expenditures to partially

compensate for the ERAF payment to the State. The $9.8 million in the Transfers Out category includes $7.5 million transferred to Capital Projects Fund to cover principal and interest payments on outstanding bonds that are paid out of this fund. Transfers also included an additional $2.3 million for capital projects.

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, 2010

	Budget			Variance with Final Budget
	Original	Final	Actual	Postive (Negative)
Revenues				
Property tax increment	$ 16,337,400	$ 16,337,400	$ 16,099,561	$ (237,839)
Use of money and property	317,700	317,700	268,566	(49,134)
Total Revenues	16,655,100	16,655,100	16,368,127	(286,973)
Expenditures				
General government:				
Supplies and services	1,784,680	1,790,480	1,647,228	143,252
Projects	732,170	9,238,175	7,817,396	1,420,779
Other	122,723	111,723	6,526	105,197
Total Expenditures	2,639,573	11,140,378	9,471,150	1,669,228
Excess of revenues over expenditures	14,015,527	5,514,722	6,896,977	1,382,255
Other Financing Uses				
Transfers out	(14,015,527)	(9,757,365)	(9,757,365)	-
Total other financing uses	(14,015,527)	(9,757,365)	(9,757,365)	-
Net change in fund balance	-	(4,242,643)	(2,860,388)	1,382,255
Fund balance, beginnng	7,116,698	7,116,698	7,116,698	-
Fund balance, ending	$ 7,116,698	$ 2,874,055	$ 4,256,310	$ 1,382,255

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, 2010 and 2009.

Total capital assets (net of $23.4 million in accumulated depreciation) at June 30, 2010, were $90.7 million, a decrease of approximately $600,000 from prior year. As shown in Note 3 to the financial statements, the increase was the net of $13.8 million in capital asset additions, $6.5 million transferred to the City's governmental activities capital assets for the Fire Station #1 Rehabilitation Project, and $1.8 million of depreciation expense during the year. As shown in Table 5, construction in progress decreased by $4.9 million from the prior year. This change includes

expenses for several capital projects that are still in progress, including $2.6 million for Carrillo Recreation Center restoration, $2.4 million for the West Downtown Improvements, and $2.1 million for West Beach pedestrian improvements. This was offset by several capital projects that were completed during the year, including $4.8 million for State Street and Cabrillo Boulevard sidewalk improvements, $547,000 for Plaza Vera Cruz improvements, $381,000 for the Historic Railroad Car restoration, and the transfer of $6.5 million in assets to the City for the completion of the renovations to Fire Station #1, which included the addition of the City's new emergency operations center.

Table 5
Redevelopment Agency of the City of Santa Barbara
Summary of Capital Assets
Net of Accumulated Depreciation
As of June 30, 2010 and 2009

	2010	2009
Land	$ 40,429,911	$ 40,429,911
Equipment	531,486	137,480
Buildings	23,328,141	23,986,656
Building Improvements	821,365	843,595
Infrastructure	7,368,564	2,767,589
Improvements other than buildings	7,890,265	7,918,439
Construction in progress	10,280,926	15,160,176
Total	$ 90,650,658	$ 91,243,846

Long-term Debt

As of June 30, 2010, the Agency had $58.9 million in outstanding tax allocation bonds. The Agency issues tax allocation bonds to provide funds for the redevelopment activities of the Agency. No new debt was issued this fiscal year and the Agency made principal payments totaling $6 million. The Agency's outstanding debt is currently rated AAA by Moody's Investors Service and by Standard & Poor's Rating Services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary economic factor affecting the Redevelopment Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The strong real estate market from 2000 through 2007 has resulted in continued and substantial growth in revenues and, thus, allowed for the funding of important projects and activities during that period. While local real estate values have generally declined significantly over the last two years in connection with the nation-wide economic downturn and housing slump, the Agency has enjoyed strong growth in property tax increment revenues. The continued growth is due to the fact that property taxes are generally only reassessed when property changes ownership. Otherwise, taxes can only increase by the Consumer Price Index (CPI) up to a maximum of 2% per year. Therefore, revenues will decline only to the extent that actual market values, which have risen dramatically over the last ten years, fall below the assessed value. Therefore, even though prices are declining, the effect on property taxes is uncertain. Over the past few years the City of Santa Barbara's Redevelopment Agency has seen a slowing of growth in property tax revenues and this appears to be a likely scenario for the next few fiscal years. Accordingly, the Agency has budgeted a modest 1% decrease in tax increment revenues from the prior year's budget (Fiscal Year 2010), bringing the budgeted total to approximately $20 million.

The State of California is experiencing a severe budget crisis due to a significant drop in many key revenues. The Governor and the legislature will be working on a plan to get the State through these difficult times. Given the magnitude of the problem, and the history of the State's budget balancing strategies, the State has again passed a budget that proposes to take money from redevelopment agencies in an effort to help balance the budget. Agency funds continue to be used to close the State's budget gap, and this has resulted in significant impacts on the Agency's operations. In Fiscal Year 2010 the State took $6.8 million from the City of Santa Barbara's Redevelopment Agency and is scheduled to take approximately $1.5 million additional dollars in Fiscal Year 2011. The California Redevelopment Association has filed a lawsuit in response to the proposed takings which is currently under appeal; however, there is no known time frame for a resolution of that lawsuit. State Proposition 22 which prohibits the State from borrowing or taking funds used for redevelopment, transportation, or local government projects and services, was recently passed by the voters.

REQUESTS FOR INFORMATION

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

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities
ASSETS	
Cash and investments	$ 26,164,197
Accounts receivable	106,457
Accrued interest receivable	31,122
Loans receivable	46,543,358
Deferred charge -issuance costs, net	1,192,948
Restricted assets:	
Cash and investments with fiscal agents	19,049,834
Capital assets not being depreciated:	
Land	40,429,911
Construction in progress	10,280,926
Capital assets (net of accumulated depreciation):	
Buildings	23,328,141
Building improvements	821,365
Improvements other than buildings	7,890,265
Equipment	531,486
Infrastructure	7,368,564
Total capital assets	90,650,658
Total assets	183,738,574
LIABILITIES	
Current Liabilities:	
Accounts payable	637,516
Accrued interest payable	698,523
Deposits	3,000
Total current liabilities	1,339,039
Noncurrent liabilities	
Bonds payable:	
Due within one year	5,470,000
Due in more than one year	53,824,808
Total noncurrent liabilities	59,294,808
Total liabilities	60,633,847
NET ASSETS	
Invested in capital assets, net of related debt	49,844,147
Restricted for:	
Capital projects	13,863,648
Low and moderate income programs	51,769,946
Unrestricted	7,626,986
Total net assets	$ 123,104,727

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets
Governmental activities:				
General government	$ 12,348,158	$ -	$ 553,775	$ (11,794,383)
Housing	1,171,044	324,022	-	(847,022)
Debt service:				
Interest	2,912,771	85,766	-	(2,827,005)
Total governmental activities	$ 16,431,973	$ 409,788	$ 553,775	(15,468,410)

General revenues:	
Property taxes	20,124,451
Investment earnings, unrestricted	350,013
Other revenue	4,091
Transfers to City of Santa Barbara	(6,494,769)
Total general revenues and transfers	13,983,786
Change in net assets	(1,484,624)
Net assets, beginning of year	124,589,351
Net assets, end of year	$ 123,104,727

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue	Capital Projects	Total Governmental Funds
Assets				
Cash and investments	$ 4,251,381	$ 8,049,168	$ 13,863,648	$ 26,164,197
Accounts receivable	-	106,457	-	106,457
Accrued interest receivable	21,387	9,735	-	31,122
Loans receivable	-	43,043,358	3,500,000	46,543,358
Restricted assets:				
Cash and investments with fiscal agent	-	561,537	18,488,297	19,049,834
Total assets	$ 4,272,768	$ 51,770,255	$ 35,851,945	$ 91,894,968
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 13,458	$ 309	$ 623,749	$ 637,516
Deposits	3,000	-	-	3,000
Total liabilities	16,458	309	623,749	640,516
Fund Balances:				
Reserved for:				
Encumbrances	110,403	-	3,284,700	3,395,103
Long-term receivables	-	43,043,358	3,500,000	46,543,358
Redevelopment activities	4,145,907	-	28,443,496	32,589,403
Low and moderate income housing	-	8,726,588	-	8,726,588
Total fund balances	4,256,310	51,769,946	35,228,196	91,254,452
Total liabilities and fund balances	$ 4,272,768	$ 51,770,255	$ 35,851,945	$ 91,894,968

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE ACTIVITIES IN THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2010

Total governmental fund balances (page 14)	$ 91,254,452
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.	90,650,658
Costs incurred to issue bonds are an expenditure in the governmental fund but they must be reported as deferred issuance costs in the government-wide financial statements.	1,192,948
Governmental liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(58,880,000)
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 is recorded when incurred in the government-wide financial statements.	(698,523)
The effect of premiums and discounts on debt issues are reported by governmental funds when the debt is first issued but these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt in the government-wide financial statements.	
Bond premium	(658,154)
Bond discount	243,346
Net assets of governmental activities (page 12)	$ 123,104,727

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANC
GOVERNMENTAL FUNDS
Fiscal Year ended June 30, 2010

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenues:				
Incremental property taxes	$ 16,099,561	$ 4,024,890	$ -	$ 20,124,451
Intergovernmental	-	-	85,766	85,766
Use of money and property	268,566	395,175	10,294	674,035
Contributions and donations	-	-	553,775	553,775
Other revenues	-	4,091	-	4,091
Total revenues	16,368,127	4,424,156	649,835	21,442,118
Expenditures:				
Current:				
General government				
Supplies and services	1,647,228	-	-	1,647,228
Projects	7,817,396	-	1,043,712	8,861,108
Other expenditures	6,526	-	907	7,433
Total general government	9,471,150	-	1,044,619	10,515,769
Housing:				
Supplies and services	-	917,168	-	917,168
Projects	-	252,611	-	252,611
Other expenditures	-	1,265	-	1,265
Total housing	-	1,171,044	-	1,171,044
Debt service:				
Principal	-	1,220,000	4,815,000	6,035,000
Interest	-	174,898	2,700,403	2,875,301
Capital Outlay:				
Projects	-	-	7,733,970	7,733,970
Total expenditures	9,471,150	2,565,942	16,293,992	28,331,084
Excess (deficiency) of revenues over (under) expenditures	6,896,977	1,858,214	(15,644,157)	(6,888,966)
Other financing sources (uses):				
Transfers in	-	-	9,757,365	9,757,365
Transfers out	(9,757,365)	-	-	(9,757,365)
Total other financing sources (uses)	(9,757,365)	-	9,757,365	-
Net change in fund balances	(2,860,388)	1,858,214	(5,886,792)	(6,888,966)
Fund balances, beginning of fiscal year	7,116,698	49,911,732	41,114,988	98,143,418
Fund balances, end of fiscal year	$ 4,256,310	$ 51,769,946	$ 35,228,196	$ 91,254,452

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities (page 13) are different because:		
Net change in fund balances - total governmental funds (page 16)		$ (6,888,966)
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	$ 7,733,970	
Less current year depreciation	(1,832,389)	5,901,581
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.		6,035,000
Amortization of deferred debt issuance 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.		(132,691)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond preimum	73,128	
Bond discount	(27,038)	46,090
Governmental Funds report interest on long-term debt as expenditures are paid, whereas these amounts are accrued and reportedin the period when the liability exists in the statement of activities.		
Prior year accrued interest	747,654	
Current year accrued interest	(698,523)	49,131
Capital costs for the Fire Station were recorded as expenditures in the governmental funds. This asset, upon completion, was transferred to the City of Santa Barbara. This transaction is relected as a transfer out in the statement of activities.		(6,494,769)
Net change in net assets of governmental activities (page 13)		$ (1,484,624)

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report on the Agency as a whole. The statement of activities demonstrates the degree to which the direct expenses of the Agency's functions are offset by program revenues. Direct expenses are those that are clearly identifiable with the Agency's function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Agency's programs. Taxes and 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. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The Agency reports the following major governmental funds:

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

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

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

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.

Amounts reported as *program revenues* include operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues and include all taxes.

D. Cash and Investments
All of the Agency's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the Agency's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the Agency's deposits. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes equal to 150% of the Agency's deposits. The Agency may waive collateral requirements for deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC).

The Agency considers cash and investments with fiscal agents to be cash equivalents on all investments with an original maturity of less than three months. Investments are reported in the accompanying basic financial statements within the "cash and investments" classification. The Agency has developed a formal investment policy that exceeds the minimum requirements established by the State of California. The Agency believes that it has adhered to established policies for all investment activities. All investments are stated at fair value.

E. Incremental Property Tax
Incremental property taxes are considered 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. Risk Management

For purposes of general liability, the Agency is covered under the City of Santa Barbara's self-insurance plan and pays premiums to the City for this coverage. Information regarding the City's self-insurance plan can be found in the City of Santa Barbara's Comprehensive Annual Financial Report under Note 12. As of June 30, 2010, management is not aware of any outstanding claims that would require accrual.

G. Low and Moderate Income Housing

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

H. Restricted Assets

The Agency has funds held by trustees or fiscal agents pledged to the payment or security of bonds and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The California Government Code provides that these funds, in 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 the trustees or fiscal agents may make.

I. Capital Assets

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

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

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

J. Use of Estimates

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

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceed received, are reported as debt service expenditures.

L. Net Assets

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt, excluding unexpended proceeds, 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.

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. In the Fund financial statements, reserves and designations segregate portions of the fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Agency Board and can be increased, reduced or eliminated by similar actions.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$ 26,164,197
Cash and investments with fiscal agents	19,049,834
Total cash and investments	$ 45,214,031

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	$ 75
Demand deposit accounts with financial institutions	4,628,781
Investments	40,585,175
Total cash and investments	$ 45,214,031

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

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

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

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

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

Investment Type		Weighted Avg. Maturity (in years)
State Local Agency Investment Fund	$21,535,341	N/A
Held by bond trustee:		
Money market funds	19,049,834	N/A
Total	$40,585,175	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

Investment Type		Minimum Legal Rating	Unrated
LAIF	$21,535,341	N/A	$21,535,341
Held by fiscal agents:			
Money market funds	19,049,834	N/A	19,049,834
Total	$40,585,175		$40,585,175

Disclosures Relating to Concentration of Credit Risk

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

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2010, no Agency investments were held by the safekeeping department of the broker-dealer (counterparty) used by the Agency to buy the securities.

Investment in Local Agency Investment Fund

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

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Beginning Balance June 30, 2009	Increases	Decreases	Ending Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 40,429,911	$ -	$ -	$ 40,429,911
Construction in progress	15,160,176	7,683,703	12,562,953	* 10,280,926
Total capital assets, not being depreciated	55,590,087	7,683,703	12,562,953	50,710,837
Capital assets being depreciated:				
Buildings	26,340,653	-	-	26,340,653
Building Improvements	889,167	-	-	889,167
Improvements other than buildings	25,856,999	862,887	-	26,719,886
Equipment	196,401	407,100	-	603,501
Infrastructure	3,980,085	4,848,464	-	8,828,549
Total capital assets being depreciated	57,263,305	6,118,451	-	63,381,756
Less accumulated depreciation for:				
Buildings	(2,353,996)	(658,516)	-	(3,012,512)
Building Improvements	(45,573)	(22,229)	-	(67,802)
Improvements other than buildings	(17,938,560)	(891,061)	-	(18,829,621)
Equipment	(58,921)	(13,094)	-	(72,015)
Infrastructure	(1,212,496)	(247,489)	-	(1,459,985)
Total accumulated depreciation	(21,609,546)	(1,832,389)	-	(23,441,935)
Total capital assets, being depreciated, net	35,653,759	4,286,062	-	39,939,821
Governmental activities capital assets, net	$ 91,243,846	$ 11,969,765	$ 12,562,953	$ 90,650,658

All capital assets pertain to the General Governmental function of the Agency, accordingly, depreciation expense of $1,832,389 was charged to the General Governmental Function of the Agency.

* Construction in Progress decreases include $6,494,769 transferred to the City due to the completion of the renovations to Fire Station #1 and the new Emergency Operations Center. The Fire Station #1 asset is owned by the City.

The Agency has active construction projects as of June 30, 2010. At year-end the Agency's commitments with contractors were as follows:

Project	Spent To Date	Remaining Commitment
Fire Station #1 Remodel	$ 6,704,757	$ 9,169
West Beach Pedestrian Improvements	3,045,272	154,703
Plaza De La Guerra Infrastructure	173,931	111,165
West Downtown Improvements	2,961,464	495,933
Carrillo Rec Center Restoration	3,212,335	2,031,679
PD locker room upgrade	491,778	131,246
Fire Station #1 EOC	341,787	1,306
Phase II - E. Cabrillo Sidewalks	9,774	3,905
Fire Department Administration Annex	167,219	88,101
Brinkerhoff Lighting	18,758	12,152
DP Structure #2,9,10 Improvements	62,339	45,822
Westside Community Center	73,586	4,410
Soil Remediation - 125 State St	179,937	107,937
Total	$ 17,442,937	$ 3,197,528

NOTE 4. INTERFUND TRANSFERS

	Transfer In:	
Transfer Out:	Agency Capital Projects	Total
Agency General Fund	$ 9,757,365	$ 9,757,365
Total Transfers	$ 9,757,365	$ 9,757,365

The inter-fund transfers are transfers from the Agency General Fund to the Capital Projects Fund for debt service payments on behalf of the Agency and Agency projects. $7.5 million was recorded to provide funds for the repayment of debt and $2.3 was recorded to provide funds for capital projects.

NOTE 5. LOANS RECEIVABLE

Loans receivable in the governmental funds, totaling $46,543,358 at June 30, 2010, consist of loans provided to low- and moderate-income households, and developers of low- and moderate-income housing, with interest ranging from 3% to 8% and maturities up to 20 years.

NOTE 6. LONG-TERM DEBT

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

GASB 48 Disclosure – Pledging of revenues: Annual principal and interest payments on the tax allocation bonds are expected to require approximately 45% of net tax increment revenues. The total principal and interest remaining to be paid on the Bonds is $73,315,732 as of June 30, 2010. For the current year, principal and interest paid on the Bonds was $8,160,301 and property tax increment net revenues were $20,124,451. The Bonds required 41% of net tax increment revenues.

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

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding Balance June 30, 2010
Tax allocation bonds:					
2001 Series A	4.125 - 5.00%	07/25/01	03/01/19	$ 38,855,000	$ 32,625,000
2003 Series A	4.000 - 5.00%	12/18/03	03/01/19	34,810,000	21,370,000
2004 Series A	2.000 - 5.00%	07/01/04	07/01/19	7,150,000	4,885,000
CHFA Loan	3.00%	10/19/99	10/19/09	750,000	-
Total				$ 81,565,000	$ 58,880,000

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance 07/01/09	Additions	Retirements	Balance 06/30/10	Due Within One Year	Due in More Than One Year
Tax allocation bonds:						
2001 Series A	$ 35,520,000	$ -	$ 2,895,000	$ 32,625,000	$ 3,015,000	$ 29,610,000
2003 Series A	23,290,000	-	1,920,000	21,370,000	1,975,000	19,395,000
2004 Series A	5,355,000	-	470,000	4,885,000	480,000	4,405,000
CHFA Loan	750,000	-	750,000	-	-	-
Unamortized debt premium	731,282	-	73,128	658,154	-	658,154
Unamortized debt discount	(270,384)	-	(27,038)	(243,346)	-	(243,346)
Total	$ 65,375,898	$ -	$ 6,081,090	$ 59,294,808	$ 5,470,000	$ 53,824,808

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

Fiscal Year Ending	Principal Payments 2001 Tax Allocation	2003 Tax Allocation	2004 Tax Allocation	Total
2011	$ 3,015,000	$ 1,975,000	$ 480,000	$ 5,470,000
2012	3,140,000	2,075,000	490,000	5,705,000
2013	3,280,000	2,140,000	505,000	5,925,000
2014	3,430,000	2,245,000	520,000	6,195,000
2015	3,585,000	2,360,000	540,000	6,485,000
2016 - 2019	16,175,000	10,575,000	2,350,000	29,100,000
Principal payments outstanding	32,625,000	21,370,000	4,885,000	58,880,000

Fiscal Year Ending	Interest Payments			Total
2011	1,530,554	992,830	156,595	2,679,979
2012	1,406,185	894,080	142,765	2,443,030
2013	1,271,165	821,455	127,840	2,220,460
2014	1,123,565	714,455	111,815	1,949,835
2015	965,785	602,205	94,185	1,662,175
2016 - 2019	2,054,850	1,248,420	176,983	3,480,253
Interest payments outstanding	8,352,104	5,273,445	810,183	14,435,732
Net Debt Service Obligation	$ 40,977,104	$ 26,643,445	$ 5,695,183	$ 73,315,732

The Agency has complied with all significant bond covenants.

NOTE 7. LITIGATION

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

NOTE 8. OTHER REQUIRED DISCLOSURES – CERTIFICATES OF PARTICIPATION

In 1984, the Agency issued certificates of participation in order to finance the acquisition and construction of certain harbor improvements to the Santa Barbara Harbor. These improvements were leased to the City of Santa Barbara for the benefit of the Tidelands Trust Fund, which is now known as the Waterfront Fund, an enterprise fund of the City. These certificates were refunded in 1986, 1992, and through the issuance of the 2002 $19,405,000 Refunding Certificates of Participation. Pursuant to an agreement dated July 2, 2002, the rights to the lease payments from the Waterfront Fund have been assigned to the Redevelopment Agency, a trustee for the benefit of the registered owners of the Certificates. Accordingly, the liability associated with the obligations under the Certificates of Participation have been recorded within the Waterfront Fund and are therefore not included as a liability of the Agency. As of June 30, 2010, the Refunding Certificates of Participation have an outstanding balance of $14,960,000.

NOTE 9. SUBSEQUENT EVENTS

In 2009, the State of California enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The fiscal year 2009-2010 payment was $6.8 million and it is anticipated another $1.5 million would need to be remitted for the fiscal year 2010-2011. This action was litigated by the California Redevelopment Association and other parties. This lawsuit challenges the constitutionality of ABX4-26 and seeks to prevent the State from taking redevelopment funds for non-development purposes. As of the date of this report, the court's decision is currently being appealed and the results have not yet been determined.

Notes to the Required Supplementary Information

BUDGETARY INFORMATION

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

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

Formal operating budget integration is employed as a management control device during the year for the General Fund and Housing Special Revenue Fund. 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 Special Revenue Fund. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they represent financial obligations for goods and services received through June 30, 2010, but not yet paid.

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2010

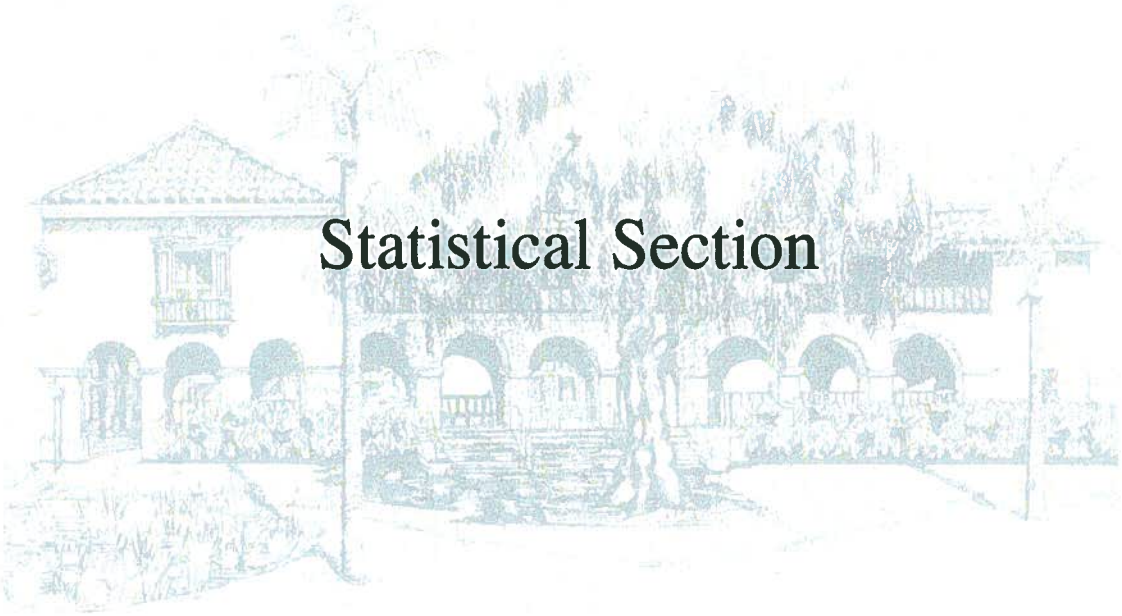
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Incremental property tax	$ 16,337,400	$ 16,337,400	$ 16,099,561	$ (237,839)
Use of money and property	317,700	317,700	268,566	(49,134)
Total Revenues	16,655,100	16,655,100	16,368,127	(286,973)
EXPENDITURES				
Current:				
General government:				
Supplies and services	1,784,680	1,790,480	1,647,228	143,252
Projects	732,170	9,238,175	7,817,396	1,420,779
Other expenditures	122,723	111,723	6,526	105,197
Total Expenditures	2,639,573	11,140,378	9,471,150	1,669,228
Excess of revenues over expenditures	14,015,527	5,514,722	6,896,977	1,382,255
OTHER FINANCING USES				
Transfers out	(14,015,527)	(9,757,365)	(9,757,365)	-
Total other financing uses	(14,015,527)	(9,757,365)	(9,757,365)	-
Net change in fund balance	-	(4,242,643)	(2,860,388)	1,382,255
Fund balance, beginning of fiscal year	7,116,698	7,116,698	7,116,698	-
Fund balance, end of fiscal year	$ 7,116,698	$ 2,874,055	$ 4,256,310	$ 1,382,255

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2010

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
For the Year Ended June 30, 2010

	Housing Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Incremental property tax	$ 4,084,400	$ 4,084,400	$ 4,024,890	$ (59,510)
Use of money and property	310,000	310,000	395,175	85,175
Other Revenue	-	-	4,091	4,091
Total Revenues	4,394,400	4,394,400	4,424,156	29,756
EXPENDITURES				
Current:				
Housing:				
Supplies and services	946,362	950,322	917,168	33,154
Projects	2,727,788	7,120,746	252,611	6,868,135
Other expenditures	81,300	77,340	1,265	76,075
Debt Service:				
Principal	470,000	470,000	1,220,000	(750,000)
Interest	168,950	168,950	174,898	(5,948)
Total Expenditures	4,394,400	8,787,358	2,565,942	6,221,416
Excess of revenues over expenditures	-	(4,392,958)	1,858,214	6,251,172
OTHER FINANCING USES				
Transfers	-	-	-	-
Net change in fund balance	-	(4,392,958)	1,858,214	6,251,172
Fund balance, beginning of fiscal year	49,911,732	49,911,732	49,911,732	-
Fund balance, end of fiscal year	$ 49,911,732	$ 45,518,774	$ 51,769,946	$ 6,251,172

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA



Statistical Section

Statistical Section

STATISTICAL SECTION

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

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Financial Trends 34

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 40

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 44

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 49

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 51

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	$31,019	$33,161	$40,454	$45,688	$42,215	$42,013	$46,422	$53,142	$49,844
Restricted	36,902	39,013	37,010	45,299	41,154	43,727	49,706	57,472	65,634
Unrestricted	5,221	6,424	7,770	1,460	10,802	13,660	14,883	13,975	7,627
Total governmental activities net assets	$73,142	$78,598	$85,234	$92,447	$94,171	$99,400	$111,011	$124,589	$123,105

Note:
Trend data is only available for the last nine fiscal years due to the implementation of GASB 34.

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

	Fiscal Year								
Expenses	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Governmental activities:									
General government *	$ 2,780	$ 4,976	$ 3,893	$ 4,390	$ 3,941	$ 2,515	$ 3,108	$ 2,413	$ 12,348
Housing	376	703	1,232	673	2,585	1,151	1,383	1,518	1,171
Redevelopment capital *	918	976	992	136	7,873	6,613	2,556	2,551	-
Interest on long-term debt	3,352	3,133	2,519	3,886	3,823	3,579	3,344	3,049	2,913
Total governmental activities expenses	7,426	9,788	8,636	9,085	18,222	13,858	10,391	9,531	16,432
Program Revenues									
Governmental activities:									
Operating grants and contributions	441	403	316	238	640	193	325	592	410
Capital grants and contributions	-	-	-	-	-	-	-	-	554
Total governmental activities program revenues	441	403	316	238	640	193	325	592	964
Net (expense)									
Governmental activities	(6,985)	(9,385)	(8,320)	(8,847)	(17,582)	(13,665)	(10,066)	(8,939)	(15,468)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property	11,853	12,774	12,862	13,858	15,179	16,731	18,081	20,038	20,124
Investment income	2,566	2,056	2,092	2,116	1,978	2,137	3,117	2,147	350
Other revenue	4	11	2	86	2,056	26	479	332	4
Transfers to City of Santa Barbara	-	-	-	-	-	-	-	-	(6,495)
Total governmental activities	14,423	14,841	14,956	16,060	19,213	18,894	21,677	22,517	13,983
Change in Net Assets									
Governmental activities	$ 7,438	$ 5,456	$ 6,636	$ 7,213	$ 1,631	$ 5,229	$ 11,611	$ 13,578	$ (1,485)

Note:
Trend data is only available for the last nine fiscal years due to the implementation of GASB 34.

* Redevelopment capital includes non-capitalized expenditures and is reported in General government expenditures beginning in Fiscal year 6/30/10.

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

Fiscal Year	Property Tax
2001	$ 11,183
2002	11,853
2003	12,774
2004	12,862
2005	13,858
2006	15,179
2007	16,731
2008	18,081
2009	20,038
2010	20,124

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	$ 4,498	$ 5,332	$ 3,956	$ 3,716	$ 3,132	$ 5,658	$ 7,887	$ 8,132	$ 7,117	$ 4,256
All other governmental funds										
Reserved	35,337	73,583	77,039	105,987	106,464	88,478	82,972	87,793	91,026	86,998
Total Fund Balance	$ 39,835	$ 78,915	$ 80,995	$109,703	$109,596	$ 94,136	$ 90,859	$ 95,925	$ 98,143	$ 91,254

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Incremental property taxes	$ 11,183	$ 11,853	$ 12,851	$ 12,945	$ 13,946	$ 15,273	$ 16,831	$ 18,081	$ 20,038	$ 20,124
Use of money and property	1,991	2,570	2,460	2,408	2,354	2,618	2,330	3,276	2,618	674
Other revenues	17	4	11	2	120	2,056	26	645	453	644
Total revenues	13,191	14,427	15,322	15,355	16,420	19,947	19,187	22,002	23,109	21,442
Expenditures										
Supplies and services	929	1,366	1,474	1,627	1,820	2,066	2,271	2,343	2,421	2,562
Projects	6,938	4,589	4,508	4,120	13,206	25,120	11,275	6,320	9,933	16,850
Other expenditures	16	75	36	38	19	14	11	77	420	9
Debt service										
Principal	3,600	4,345	3,985	5,210	4,535	5,190	5,350	4,845	5,100	6,035
Interest	1,868	2,777	3,239	3,109	3,792	3,767	3,557	3,336	3,011	2,875
Other charges	-	-	-	941	305	-	-			
Total expenditures	13,351	13,152	13,242	15,045	23,677	36,157	22,464	16,921	20,885	28,331
Excess of revenues over (under) expenditures	(160)	1,275	2,080	310	(7,257)	(16,210)	(3,277)	5,081	2,224	(6,889)
Other financing sources (uses)										
Transfers in	7,486	14,420	8,315	9,502	9,015	8,213	12,571	12,491	15,269	9,757
Transfers out	(7,486)	(14,424)	(8,315)	(9,502)	(9,015)	(8,213)	(12,571)	(12,506)	(15,274)	(9,757)
Proceeds from bond issuance	-	37,810	-	28,398	7,150	-	-	-	-	-
Total other financing sources (uses)	-	37,806	-	28,398	7,150	-	-	(15)	(5)	-
Net change in fund balances	$ (160)	$ 39,081	$ 2,080	$ 28,708	$ (107)	$(16,210)	$ (3,277)	$ 5,066	$ 2,219	$ (6,889)
Debt service as a percentage of noncapital expenditures	85.3%	83.2%	82.7%	83.3%	81.9%	81.2%	79.6%	77.2%	74.1%	77.6%

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Incremental property taxes	$ 11,183	$ 11,853	$ 12,851	$ 12,945	$ 13,946	$ 15,273	$ 16,831	$ 18,081	$ 20,038	$ 20,124

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

Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2001	$ 1,022,931	$ 215,719	$ (52,137)	$ 1,186,513	1.00%
2002	1,094,347	227,297	(54,310)	1,267,334	1.00%
2003	1,164,940	237,653	(55,639)	1,346,954	1.00%
2004	1,218,914	248,409	(77,833)	1,389,490	1.00%
2005	1,303,295	250,008	(82,652)	1,470,651	1.00%
2006	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	1,651,716	301,018	(116,640)	1,836,094	1.00%
2009	1,851,532	336,783	(150,558)	2,037,757	1.00%
2010	1,938,383	342,544	(166,008)	2,114,919	1.00%

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

Sources: Santa Barbara County Auditor-Controller

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

	Direct Rates	Overlapping Rates		
Fiscal Year	General	City Bonds	Schools Bonds	Total
2001	$ 1.000	$ -	$0.027	$1.027
2002	1.000	-	0.028	1.028
2003	1.000	-	0.027	1.027
2004	1.000	-	0.025	1.025
2005	1.000	-	0.021	1.021
2006	1.000	-	0.026	1.026
2007	1.000	-	0.026	1.026
2008	1.000	-	0.026	1.026
2009	1.000	-	0.035	1.035
2010	1.000	-	0.035	1.035

Sources: Santa Barbara County Auditor-Controller

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

	Fiscal Year 2010		Fiscal Year 2001	
Taxpayer	**Taxable Net Assessed Value**	**Percentage of Total Taxable Net Assessed Value**	**Taxable Net Assessed Value**	**Percentage of Total Taxable Net Assessed Value**
Paseo Nuevo Association[1]	$ 86,587	4.09%	$ 78,809	6.64%
Fess Parker Doubletree Hotel	82,270	3.89%	68,751	5.79%
Chapala One, LLC	45,687	2.16%	-	0.00%
MF Santa Barbara, LLC	20,000	0.95%	-	0.00%
Due West, LLC	32,109	1.52%	-	0.00%
Ralphs Grocery Co	25,954	1.23%	-	0.00%
Ella Paseo, LLC	22,500	1.06%	-	0.00%
Mahoob, Ray	20,210	0.96%	-	0.00%
ESJ Centers	19,475	0.92%	22,988	1.94%
Ampersand Publishing, LLC	-	0.00%	14,659	1.24%
1129 State Street	17,614	0.83%	13,295	1.12%
Old Town Mall	-	0.00%	17,747	1.50%
State Street Properties	13,031	0.62%	12,259	1.03%
Heiner Gerald & Dorothy L Trustees	10,966	0.52%	10,645	0.90%
El Paseo of Santa Barbara	11,300	0.53%	10,494	0.88%
Beach Motel Partners	-	0.00%	10,312	0.87%
	$ 407,703	17.61%	$259,959	21.91%

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

Sources: Santa Barbara County Auditor-Controller

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	$ 11,183	$ 11,183	100%	$ -	$ 11,183	100%
2002	11,853	11,853	100%	-	11,853	100%
2003	12,774	12,774	100%	-	12,774	100%
2004	12,862	12,862	100%	-	12,862	100%
2005	13,858	13,858	100%	-	13,858	100%
2006	15,179	15,179	100%	-	15,179	100%
2007	16,731	16,731	100%	-	16,731	100%
2008	18,081	18,081	100%	-	18,081	100%
2009	20,038	20,038	100%	-	20,038	100%
2010	20,124	20,124	100%	-	20,124	100%

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

Fiscal Year	Tax Allocation Bonds	Loans	Total	Percentage of Personal Income[1]	Per Capita[1]
2001	$ 29,150	$ -	$ 29,150	0.23%	$ 319
2002	63,660	-	63,660	0.49%	702
2003	59,675	-	59,675	0.46%	660
2004	82,035	-	82,035	0.60%	906
2005	84,650	750	85,400	0.55%	943
2006	79,460	750	80,210	0.49%	896
2007	74,110	750	74,860	0.44%	837
2008	69,265	750	70,015	0.38%	775
2009	64,165	750	64,915	0.33%	719
2010	58,880	-	58,880	0.31%	648

Note: Details regarding the agency's outstanding debt can be found in the notes to the financial statements.
[1] See the Schedule of Demographic and Economic Statistics on page 49 for personal income and population data.

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

Fiscal Year	Tax Allocation Bonds	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value[1] of Property	Per Capita[2]
2001	$ 29,150	$ -	$ 4,917	$ 24,233	2.04%	$ 265
2002	63,660	-	4,812	58,848	4.64%	649
2003	59,675	-	4,767	54,908	4.08%	607
2004	82,035	-	687	81,348	5.85%	898
2005	84,650	750	690	84,710	5.76%	936
2006	79,460	750	696	79,514	5.04%	888
2007	74,110	750	699	74,161	4.31%	829
2008	69,265	750	-	70,015	3.81%	775
2009	64,165	750	-	64,915	3.19%	719
2010	58,880	-	-	58,880	2.78%	648

Note: Details regarding the agency's outstanding debt can be found in the notes to the financial statements.
[1] See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 40 for property value data.
[2] Population data can be found in the Schedule of Demographic and Economic Statistics on page 49.

Redevelopment Agency of the City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2010
(amounts expressed in thousands)

2009-10 Redevelopment Agency Incremental Valuation $ 2,280,927

Overlapping Debt Repaid with Property Taxes	**Debt Outstanding**	**Estimated Percentage Applicable[1]**	**Estimated Share of Overlapping Debt**
Santa Barbara School Districts	$ 92,513	14%	$ 13,139
Total overlapping debt repaid with property taxes	$ 92,513		$ 13,139
Direct and Overlapping General Obligation Debt			
Santa Barbara County General Fund Obligations	$ 66,575	4%	$ 2,465
City of Santa Barbara Certificates of Participation	3,560	14%	506
Total direct and overlapping general obligation debt	$ 70,135		$ 2,971
Total direct and overlapping debt			$ 16,110
Ratio to 2009-10 Redevelopment Incremental Valuation			
Total direct and overlapping debt			0.71%

Notes:

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

[1] Assessed valuation estimates for the Agency, City and County were used to calculate the estimated percentage applicable of the overlapping debt. Assessed valuation (in millions) for the City is $16,060; County is $61,600. The same estimated percent applicable to the City is used for the School District.

Sources: County of Santa Barbara

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed valuation	$1,238,650	$1,321,644	$1,402,593	$1,467,323	$1,553,303	$1,671,786	$1,820,473	$1,952,734	$2,188,315	$2,280,927
Coverage percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	309,663	330,411	350,648	366,831	388,326	417,947	455,118	488,184	547,079	570,232
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	46,449	49,562	52,597	55,025	58,249	62,692	68,268	73,228	82,062	85,535
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 46,449	$ 49,562	$ 52,597	$ 55,025	$ 58,249	$ 62,692	$ 68,268	$ 73,228	$ 82,062	$ 85,535
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	Tax Allocation Bonds			
		Debt Service		
Fiscal Year	Tax Increment	Principal	Interest	Coverage
2001	$ 11,183	$ 3,600	$ 1,868	2.05
2002	11,853	4,345	2,739	1.67
2003	12,851	3,985	3,239	1.78
2004	12,945	5,210	3,075	1.56
2005	13,946	4,535	3,701	1.69
2006	15,273	5,190	3,733	1.71
2007	16,831	5,350	3,522	1.90
2008	18,081	4,845	3,302	2.22
2009	20,038	5,100	3,053	2.46
2010	20,124	5,285	2,700	2.52

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

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

Fiscal Year	City Population [1]	Personal Income (in millions) [2]	Per Capita Personal Income [2]	June 30 Unemployment Rate [3]
2001	91,429	$ 12,911	$ 32,297	3.9%
2002	90,696	13,107	32,693	4.9%
2003	90,464	13,059	32,496	5.0%
2004	90,569	13,677	33,942	4.6%
2005	90,518	15,382	38,313	4.1%
2006	89,548	16,308	40,486	4.0%
2007	89,456	17,810	42,385	4.2%
2008	90,305	19,020	46,120	5.1%
2009	90,308	19,740	48,693	8.2%
2010	90,893	18,976	46,619	8.3%

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

Sources:
(1) California Department of Finance, Demographic Research Unit
(2) U.S. Department of Commerce, Bureau of Economic Analysis
(3) California Employment Development Department

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

	As of June 30, 2010		As of June 30, 2001	
Employer	**Number of Employees**	**Percentage of Total City Employment**	**Number of Employees**	**Percentage of Total City Employment**
University of California, Santa Barbara	6,200	11.65%	8,800	17.29%
County of Santa Barbara	4,000	7.52%	4,200	8.25%
Santa Barbara Cottage Hospital	2,500	4.70%	1,800	3.54%
Santa Barbara City College	2,000	3.76%	1,600	3.14%
Santa Barbara High School District	1,800	3.38%	1,700	3.34%
Raytheon Electronic Systems	1,500	2.82%	1,700	3.34%
Sansum Medical Foundation Clinic	1,500	2.82%	1,100	2.16%
City of Santa Barbara	1,000	1.88%	1,100	2.16%
US Postal Service	1,000	1.88%	1,000	1.96%
Santa Barbara Bank & Trust	950	1.79%	950	1.87%
Ten largest companies or organizations	22,450	42.20%	23,950	47.05%

Source: Santa Barbara Chamber of Commerce

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

None

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

Function	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
General government										
Number and amount of grants issued to local nonprofit agencies	4	$ 381,072	9	$ 623,024	9	$ 971,104	7	$ 194,880	3	$ 440,477
Housing										
Number and amount of loans or grants issued to nonprofit housing developers for construction of low income rental units	3	$4,176,703	3	$4,822,408	1	$4,880,762	4	$ 329,678	5	$2,597,120
Capital										
Number and amount of grants issued to nonprofit housing developers for construction of low income senior housing or other communtiy construction	1	$7,054,614	1	$3,000,000	1	$ 60,000	1	$ 404,000	N/A	$ -

Source: Redevelopment Agency of the City of Santa Barbara

Note:
Trend data is only available for the last five fiscal years.

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

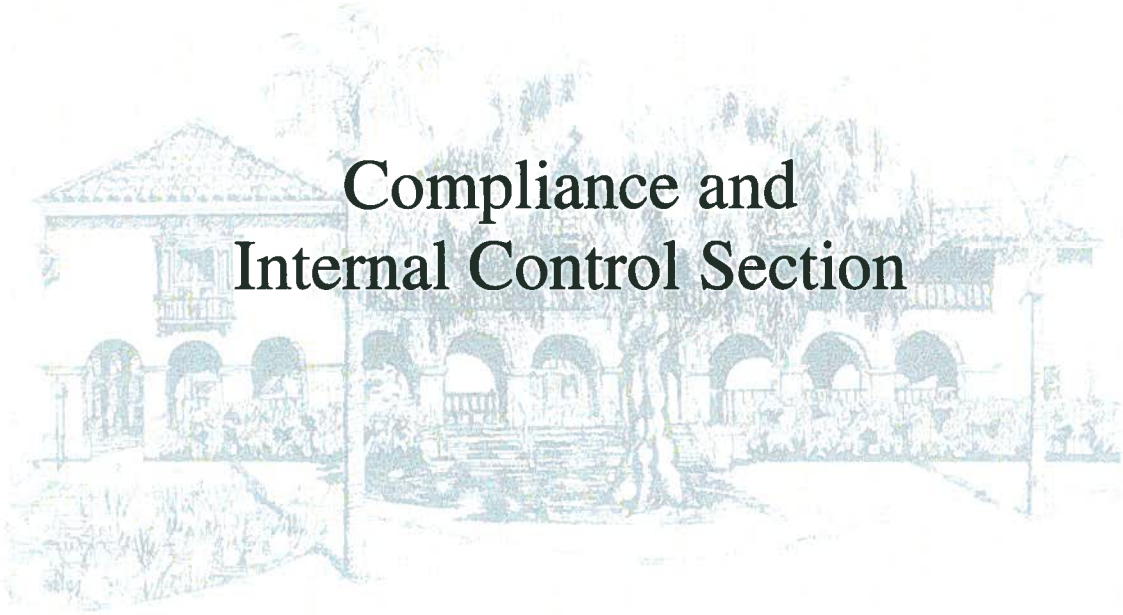
Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
General government					
Number of Redevelopment Agency-owned property parcels	49	51	55	54	54
Total combined square footage	1,719,748	1,464,052	1,772,583	1,582,099	1,582,099

Source: Redevelopment Agency of the City of Santa Barbara

Note:
Trend data is only available for the last five fiscal years.

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

Compliance and Internal Control Section



C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE (INCLUDING THE PROVISIONS CONTAINED IN THE GUIDELINES FOR COMPLIANCE AUDITS ON REDEVELOPMENT AGENCYS) AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Santa Barbara (Agency), a component unit of the City of Santa Barbara, California (City) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

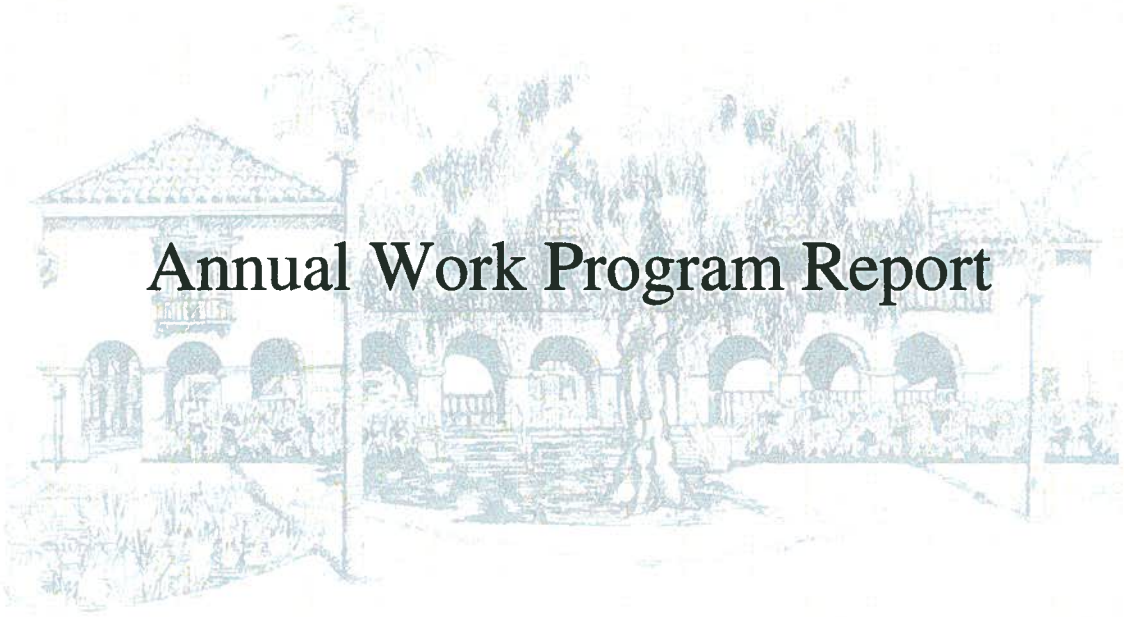
As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

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

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 9, 2010

Annual Work Program Report



Annual Work Program Report

INTRODUCTION

This report, covering Fiscal Year ending June 30, 2010, 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 2010.

CENTRAL CITY REDEVELOPMENT PROJECT AREA

FIRE STATION #1 RENOVATION (2003A BOND AND CAPITAL FUNDS)

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

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

The Fire Station No. 1 Seismic Renovation Project was successfully completed in October 2009 and is now in full use by the fire crews and emergency services staff. The project has received a Leadership in Energy and Environmental Design (LEED) Gold Rating for its sustainable renovation techniques.

FIRE STATION EMERGENCY OPERATIONS CENTER (CAPITAL FUNDS)

The City's former EOC at the Police Department headquarters was insufficient for coordination of a large disaster. The EOC Project has many of the infrastructure elements and characteristics essential to an effective response center including; an emergency generator, an electronic communication hub, sufficient operating square footage (twice the size of the old EOC at 1,650 square feet) for EOC staff, and a centralized location. The EOC at Fire Station No. 1 configured to be utilized as a dual purpose classroom and EOC serving the project area.. The facility now meets the seismic occupancy requirements as an "Essential Facility." The room was designed to accommodate 42 occupants in a multitude of configurations, based on need. The design incorporates the use of flexible lighting options, visual display boards, telecommunications, and off-the-shelf audio and video equipment.

On February 29, 2009, the Agency Board authorized the expenditure of $303,595 from the RDA's Fire Station No. 1 Emergency Operation Center (EOC) Account to fund the construction of an EOC as part of the Fire Station No. 1 Seismic Renovation Project. The breakdown of the expenditures was $260,000 for construction and $43,595 for equipment and services to complete the EOC. Additional Redevelopment funding brought the total funding to $339,000. This project was completed concurrently with the main Fire Station renovation.

WEST DOWNTOWN IMPROVEMENT PROGRAM (2003A BOND)

The West Downtown area is that portion of the Central City Redevelopment Project area bordered by Carrillo Street on the north, Highway 101 on the west and south, and Chapala Street on the east.

The project scope was developed based on the priorities and project elements identified by neighborhood residents through a public outreach process working with the City's Public Works Engineering Division and

Agency Staff with a primary focus on improving pedestrian safety along the Anapamu Street and Ortega Street corridors. The scope of work included landscape design that created a consistent theme and walkable corridors between the Westside and downtown. The top priorities of the project were pedestrian-oriented street lighting; sidewalk improvements including bulbouts at intersections, City trash and recycle receptacles, permanent bike lanes on Castillo and Bath Streets, and landscaping. The majority of construction activity was at eight intersections – from Castillo to Chapala Streets along Ortega and Anapamu Streets. There was a net gain of 88 new street trees.

The construction contract was awarded to C.S. Legacy Construction in July 2009. Construction began in August and continued through September 2010. The Agency allocated $3.75 million from its 2003A bond proceeds for this program.

LOWER WEST DOWNTOWN LIGHTING PROJECT (CAPITAL FUNDS)

The project, developed as part of the Neighborhood Improvement Program, is the result of City initiatives to add more pedestrian and street lighting to the Lower West Downtown areas bounded by the 101 Freeway, Ortega Street on the north, and Chapala Street on the east. The preliminary and final project designs are being partially funded by Community Development Block Grant funds.

In January 2010, Council awarded a contract for the project final design in the amount of $28,670 to Smith Engineering Associates. Smith Engineering is preparing the complete lighting design for the whole Lower West Downtown area. The completed initial design estimated the construction cost to be $2.25 million. Staff has proposed to accomplish the work in three phases allocating $750,000 to each phase. Phase 1 will include West Haley Street on the north, De la Vina Street on the east, West Gutierrez Street on the south and Bath Street on the west. Final design of Phase 1 will be complete in early FY 2011 with construction beginning in early 2011.

The Redevelopment Agency funded $750,000 for Phase 1 in the FY 2011 budget.

WESTSIDE CENTER - PLAYGROUND IMPROVEMENTS (2003A BOND)

The Westside Center Playground Improvements, located adjacent to the 101 Freeway, is an element of the West Downtown Improvement Program. Improvements to this heavily used community center will include new landscaping, fencing, and a re-orientation of the park facilities to better serve the local neighborhood. The design also calls for the installation of basketball half courts and a resurfaced handball court. Bidding for the construction contract will occur in September 2010 with construction expected to begin in October 2010. This project is funded at a level of $270,887.

BRINKERHOFF AVENUE LIGHTING PROJECT (2001A BOND)

At their September 29, 2009 meeting, the Redevelopment Agency Board approved a slate of six new capital projects, including lighting along Brinkerhoff Avenue. This project will add decorative pedestrian lighting similar to those used on Carrillo Street along Brinkerhoff Avenue. The four new street lights will increase pedestrian safety, as well as compliment the Victorian-era feel with lighting that matches the architecture. Upgrades will include installing underground conduit, electrical circuits, and related components. The project will utilize underground directional boring, which eliminates open trenches to minimize the project's footprint. A public meeting to update area residents was held in May in conjunction with the Haley Bridge public outreach meeting. The construction contract for $40,999 was awarded to Taft Electric on June 29, 2010. Construction is anticipated to be complete early in FY 2011. The total project cost of $200,000 was funded by the Redevelopment Agency.

CARRILLO RECREATION CENTER (2001A & 2003A BOND)

This three-story 20,000 sq. ft. structure was built in 1913 and needed to be brought up to current performance standards, including seismic upgrades, Americans with Disabilities Act (ADA) compliance, and extending the useful life of the building's core systems.

In April 2008, the Agency Board awarded the final design contract to KBZ for $496,526. The project addresses seismic issues noted above and improves ADA access by adding an elevator and two lifts; one of which will provide access to the stage area. The restrooms have been rebuilt to comply with ADA requirements. The project also updated the HVAC and electrical systems. It provides an improved office configuration and an additional dance studio for better functionality and service to the community. The finishes for the building will reflect the historical period and many of the original architectural features will be restored. The landscaping will

be completed around the building and a portion of the power demand of the center will be supplied by installing solar panels on the roof of the gymnasium. The full project incorporated green building materials and construction techniques in alignment with the City's Sustainability Goals of pursuing a LEED Certified rating.

Tasco Construction, Inc. was awarded the construction contract at $3,673,000 in the first quarter of FY 2010. With other construction contracts, the total construction cost will be $5.6 million. The ballroom wheel chair lift installation and ballroom systems were commissioned in May 2010 with the ballroom having a separate opening on June 25, 2010.

Construction is expected to be complete February 2011 with landscaping to be accomplished later under separate contract.

POLICE DEPARTMENT RENOVATION (CAPITAL FUNDS)

City staff has been working on the renovation of the Police Department Headquarters that serves the project area. During the course of a preliminary structural review, questions arose regarding the need to perform an in-depth modeling of the structure to determine deficiencies, seismic retrofit requirements, and their associated costs. The Police Station contains the original heating, ventilation, and air conditioning (HVAC), electrical, and plumbing equipment that was installed in the 1950's. Staff returned to Council and RDA Board in December 2008 with a refined project scope. Council subsequently approved the expanded design scope which now included the women's locker room upgrade, the replacement of the entire HVAC ducting system, required asbestos and lead removal, and required relocation of building occupants during construction. In June 2009, structural engineers from Ehlen, Spiess & Haight, Inc., were retained to provide a preliminary seismic evaluation and report of the building's structural systems. The results of the preliminary review indicated that the building did not meet the California Building Code's Seismic Performance Standards for Police Facilities. On May 18, 2010, the Redevelopment Agency Board authorized the expenditure of $151,246 for seismic and structural analysis of the Police Station by Coffman Engineers and building assessment services by Paul Poirier and Associates Architects. Staff anticipates building retrofit options will have been developed by November 2010. The Agency has increased the project funding, to $7,575,000.

DOWNTOWN PARKING STRUCTURE IMPROVEMENTS (2003A BOND)

In FY 2010, the Agency funded an update of existing plans for parking structures #2, #9 and #10 to meet the 2010 building code requirements. Structures #2, #9 and #10 are the main parking areas in the downtown core. In 2004, the City contracted with Watry Design, Inc. to perform a Condition Assessment Analysis for just for Parking Structures 2 and 10. The assessment report identified potential safety concerns, maintenance issues, and aesthetic items, as well as providing cost estimates for these repairs. Later in 2004, Watry was hired to perform an additional Condition Analysis for Parking Structures 7 and 9, and the City Surface Lots, completing the analysis of all the Downtown Parking facilities. This report provided a prioritized list of potential safety concerns, maintenance issues, and aesthetic items, as well as a cost estimate for the repairs to all the lots. The studies performed by Watry determined that the columns and beams in Lots 2 and 10 were in need of strengthening and support. There have been building code changes since the original plans were prepared and the plans must be updated to meet the current building code. Watry was awarded the contract in an amount of $91,000 for design services to bring the existing plans up to current code. The Agency allocated $150,000 towards the current assessment. It is estimated that each structure will require $1.8 million in upgrades. It is anticipated that the Agency will fund these improvement in future years.

CULTURAL ACTIVITIES

PLAZA DE LA GUERRA INFRASTRUCTURE IMPROVEMENTS (2003A BOND)

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

In November 2009, the City Council and the Redevelopment Agency Board reviewed the concept design developed by the firm of Campbell and Campbell with the input of various City advisory committees. The Council Subcommittee requested a limited scope that would meet the Council's desire to improve the Plaza while maintaining its character, address Council's charge for "safe interaction between pedestrians and

automobiles" and address concerns expressed by the local business community through the Downtown Organization. The concept proposes reducing the parking spaces by five, changing all the parking to 15 minutes, raising the grade of the street to be flush with the lawn, relocating the utility structure off of the Plaza lawn, and improving pedestrian amenities. The firm of Campbell and Campbell was awarded the preliminary design contract for the infrastructure improvements. Meanwhile, the concept plan received Pre-Application Review Process assessment. In support of the environmental review process, several firms have been contracted for research services: Post/Hazeltine has produced a Historic Structures and Sites report; MNS Engineering has researched titles and Applied Earthworks has preformed a Phase I archaeology study.

DOWNTOWN STOREFRONT ART PROGRAM (GENERAL)

Early in January 2009, members of the Downtown Organization expressed concern over the impact of increasing numbers of empty storefronts along Downtown State Street in the Central City Redevelopment Project Area. The concern focused on the potential onset of blight conditions which could further dampen economic activity. The Vacant Storefront Art Program is a pilot program of temporary art exhibitions in vacant storefronts in the downtown core. The art work was selected by an Arts Commission-appointed curator and reviewed for approval by the City Arts Advisory Committee. The program was funded at $18,000 by the Agency and ran from May through October 2009. The pilot program consisted of "low-capital" art installations placed temporarily in vacant storefront windows along State Street. The installation consisted of a series of two dimensional exhibits, with a unifying design theme that identifies the program.

COMMUNITY ARTS WORKSHOP (2003A BOND)

In response to the need for rehearsal space, production set construction space, and general performance space for art groups in the community; the Agency Board allocated $1,000,000 to fund a Community Arts Workshop at a to-be-determined site. In 2005, Agency-owned property at 631 Garden Street was identified as a potential location for such a workshop. The Agency anticipates negotiating a long-term lease with an arts consortium to manage a future workshop at this location. The project design has been approved by the Historic Landmarks Commission and plans have been submitted to the Building and Safety Division for review. Solstice and other members of the arts community are currently assessing the need for a Community Arts Workshop as well as the feasibility of fundraising up to $1.5 million to pay for a portion of the proposed project.

COMMUNITY CULTURAL GRANTS FOR CAPITAL PROJECTS

COMMUNITY ARTS SUSTAINABILITY PROJECT (GENERAL)

The Agency granted $50,000 to the County Arts Commission as part of the FY 2008 cultural grants process to use to initiate a sustainable community arts program. A viable arts community helps to keep the project area active and vibrant. A new program called Direct-to-Artist was begun through the Arts Collaborative website. This program has leveraged Agency funds along with several other fund sources to award grants to local artists in literature, visual, film/new media and performing arts. The website provides online exposure for artists, as well as an online grant application process, and promotes online collaboration and networking in an effort to provide equal access to resources for all. Six local artists were awarded a total of $12,000 in Agency funds in FY 2010.

ALHECAMA THEATRE RENOVATION (GENERAL)

Among the community grants approved as part of the FY 2007 budget was a proposed joint project between the Santa Barbara Trust for Historic Preservation (Trust) and the Ensemble Theatre Company to improve the Alhecama Theatre and the adjacent Old City College site courtyard/plaza area. Both the Alhecama Theatre and the courtyard/plaza area are part of the larger El Presidio Campus owned by the State of California which is leased to, and managed by, the Trust. To date the Trust has proceeded to renovate the Theatre and has accomplished all the electrical and plumbing upgrades. The ADA accessibility features for the whole campus are currently undergoing design approval and these upgrades are expected to be completed by the end of the second quarter of FY 2011.The Ensemble Theatre Company is working on acquiring a more permanent home at the Victoria Theatre.

HISTORIC/CULTURAL DISTRICT PROMOTION (GENERAL)

The Downtown Organization has received grant funds to run a Cultural and Historic District campaign. The campaign includes a map/brochure, advertisement regarding downtown cultural events, spots on local radio

stations, and advertisements in local magazines. The Downtown Organization has worked closely with the County Arts Commission to coordinate cultural promotions. In Fiscal Year 2010, the Agency budgeted $74,100 for the Downtown Organization's activities. The cultural promotions will assist the project area by increasing activity in the downtown core.

ART SYMPOSIUM (GENERAL)

The Agency helped fund the Arts Symposium organized by the County Arts Commission. At this year's symposium, the Santa Barbara Arts Collaborative announced the winners of their Direct-to-Artist grants along with a presentation of their updated business plan. A presentation was made on Ventura's new WAV project, an artist housing project. The rest of the symposium focused on increasing youth involvement, mentorship opportunities and exploring new funding models. The Agency contributed $3,500.

WATERFRONT AREA

WEST BEACH PEDESTRIAN IMPROVEMENTS (2003A BOND)

The goal of the West Beach Pedestrian Improvement Project is to enhance the pedestrian linkage between Stearns Wharf and the Harbor. In March 2006, the Agency approved the conceptual design of Phase I of the project. On January 27, 2009, Richard Irvine and Raphel Perea de la Cabada were awarded a contract in the amount of $164,500 for design, fabrication and construction consulting of the public art portion of the project. On May 12, 2009, Elevation General Engineering was awarded the construction contract in the amount of $1,895,142, Fugro West was awarded the materials testing purchase order for $13,500 and Penfield and Smith was awarded the construction support contract for $30,000. As part of the Fiscal Year 2007 budget, the RDA appropriated an additional $1.25 million to the existing $2 million appropriation, and an additional $250,000 as part of the Fiscal Year 2009 budget, for a total funding amount $3.5 million. Construction began in early June 2009 and was completed in June 2010.

As part of the West Beach Pedestrian Improvement project planning process, interest was expressed to further evaluate and study the adjacent sandy beach area. The City's Redevelopment Agency provided $15,000 in order to contract with Pat Saley and Associates to undertake a focus study of the area known as West Beach. This process was initiated in the spring of 2009. The goal of the *West Beach Planning Study* was to identify existing activities and consider adding or improving public uses and/or structures on or near the West Beach area. Additionally, evaluation was given to possibly encourage more use of the beach area and improve its overall appearance and ambiance, which would help draw people into the harbor. The consultant met with current users, stakeholders, business owners, City staff members, Coastal Commission staff and received input from the Parks and Recreation Commission, Planning Commission and Board of Harbor Commissioners. The study was presented to Council in August 2010.

EAST CABRILLO BOULEVARD SIDEWALK REPLACEMENT PROJECT – PHASE II (2001A BOND)

Phase II of the East Cabrillo Boulevard Sidewalk Replacement project will involve the removal and replacement in kind of approximately 1,120 linear feet of existing sidewalk located on the south (beach) side of East Cabrillo Boulevard between Milpas and Niños Streets. This phase would extend the recently completed sidewalks between Anacapa Street and Milpas Street. The site has been surveyed and Public Works staff is developing the design. The design and engineering are currently 50% complete, a historic assessment was recently submitted by the consultant, and the project is scheduled for review by Historic Landmarks Committee in August 2010. The Agency has allocated $600,000 for the project.

HELENA STREET PARKING LOT (2003A BOND)

The project is located at the Agency-owned parcel at 217 Helena Avenue. The Agency had previously agreed to construct the parking lot as part of the adjacent youth hostel project being developed by Fess Parker. The parking lot was funded in the RDA Capital Program. However, both the obligation to construct the parking lot and funding has subsequently been eliminated. Development, however, of a public parking lot at this location will support neighborhood businesses and encourage pedestrian activity in and around the area by providing a "park once" opportunity in the Lower State Street/Waterfront Area. Staff estimates the development of a parking lot on the Helena site to cost approximately $500,000 for design, engineering, and construction. A Request for Proposals (RFP) was sent out in May 2010 and four proposals were received for the Project. The design contract

is anticipated to be awarded early in FY 2011. Project construction is expected be completed in the summer of 2011.

125 STATE STREET (CAPITAL FUNDS)

The Children's Museum of Santa Barbara received a preliminary designation of 2,500 square feet of floor area from the Community Priority Category toward the proposed 14,127 square foot building on the site. Also a Memorandum of Understanding (MOU) was executed to set out the mutual understanding of Agency staff and the Museum regarding the process by which the Agency Board and staff and the Museum develop a project description for purposes of initiating City of Santa Barbara environmental review of the proposed development of a children's museum on the Project Site and to negotiate the possible terms of a Disposition and Development Agreement (DDA) and subsequent ground lease. Significant components of the MOU are that the 14,000 square foot museum would include the following elements two stories, indoor exhibits over 7,000 square feet, lobby and store space over 6,000 square feet, outdoor exhibits over 1,800 square feet, landscaping and other appurtenant facilities, and visitor and staff parking on site and off site. The Agency's responsibility is any necessary site remediation and reconfiguration of the existing legal lots into one legal lot for the ground lease. A site survey has been prepared and forwarded to the Children's Museum of Santa Barbara. Phase I and Phase II environmental assessments of the site found low levels of hazardous materials, and the contaminated soils have been removed from the site.

OTHER ACTIVITIES

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

In February 2006, the City Council approved the Pesticide Hazard and Exposure Reduction (PHAER) zone model for the City of Santa Barbara. The Redevelopment Agency budgeted $156,000 in Fiscal Year 2007 for the Parks and Recreation Department for proposed improvements that will significantly expedite these improvements in the Redevelopment Project Area and facilitate Parks and Recreation's efforts to maintain City Parks and City properties in a "green" manner. Approximately $136,000 is earmarked for integrated pest management–sustainable improvements and $20,000 has been designated for signage geared towards educating the public about the PHAER zone model and the City's green and sustainable efforts. The project has ended with the expenditure of all the funding.

PANHANDLING EDUCATION AND ALTERNATIVE GIVING CAMPAIGN (GENERAL)

On June 17, 2008, the Santa Barbara City Council established a Council Subcommittee on Homelessness and Community Relations (Subcommittee). The Subcommittee was composed of three Council members and was charged with studying a range of issues related to homeless services and neighborhood impacts, including aggressive panhandling. Multiple public meetings were held and the input of City staff, local businesses, homeless service providers, community members, and homeless persons was received. As a result of this work, the Strategies to Address Community Issues Related to Homelessness in the City of Santa Barbara (Strategies) was developed.

One of the 12 strategies recommended was the development of a City supported, community-based Panhandling Education and Alternative Giving Campaign (Campaign). As part of its report, the Subcommittee recommended linking a new specific abusive panhandling ordinance to the alternative giving and education program. Led by the Downtown Organization, the Campaign includes a comprehensive education effort focused on informing the public about the negative cycle of panhandling and promoting the redirection of charitable giving to provide beneficial support for individuals in need. The alternative giving element of the Campaign is managed by Casa Esperanza who will also lead the street outreach effort. Implementation of the Campaign will be carried out by a collaboration of public, business, non-profit, and community-based organizations. The Campaign has coordinated messaging and local media advertising to effectively reach residents and tourists who frequent the Downtown, Waterfront and Lower Milpas areas. Phase 1 of the Campaign utilizes countertop donation boxes placed in local businesses as an easily accessible alternative to placing cash into the hands of individuals on the street. All funds generated from this program are directed to street outreach in the Campaign area. The Campaign started in March 2010 and continues through December 2010. The Redevelopment Agency provided $75,000 in start-up funds to the Downtown Organization to develop the program. The program aims to reduce panhandling

by providing services to those in need. At the same time, a reduction in panhandlers will help maintain the vibrancy of the Project Area.

OVERNIGHT ACCOMMODATION MITIGATION (GENERAL)

Another program originated by the *Strategies to Address Community Issues Related to Homelessness in the City of Santa Barbara* that the City should work with service providers to secure funding for relocation funds and emergency hotel vouchers and programs to help reconnect people with their families. The recommendation included the use of interest income from the Coastal Zone Affordable Overnight Accommodation Fund for a program providing emergency hotel vouchers for vulnerable populations. Staff met with Transition House to develop the Hotel Voucher Pilot Program for families waiting to get into their shelter. The program is intended to serve families who are interested in Transition House's comprehensive anti-poverty services, including shelter and case management. The grant agreement is for a one-year period and the program, along with the other strategies, will be reviewed at that time.

In Fiscal Year 2006, the Redevelopment Agency received $1,140,794 for an overnight accommodation mitigation fee from the Entrada Project in conjunction with the issuance of their Coastal Development Permit. The Agency is to use these funds and any interest earned, at its discretion, to mitigate the loss of the low-cost lodging that was provided by the former Californian Hotel. In order to preserve the original mitigation fee, the Agency granted only the annual interest which amounted to $45,000.

EDUCATIONAL REVENUE AUGMENTATION FUND (GENERAL)

In recent years, the State has implemented a number of Educational Revenue Augmentation Fund shifts in response to the State's ongoing budget crises. On October 20, 2009, the California Redevelopment Association announced that it filed a lawsuit in Sacramento Superior Court to overturn AB 26 4x, a state budget trailer bill passed as part of the 2010 State budget. AB 26 4x authorizes the $2.05 billion SERAF shift of local redevelopment funds to use for state purposes. The lawsuit challenges the constitutionality of AB 26 4x and seeks to prevent the State from taking redevelopment funds for non-redevelopment purposes. On May 4, 2010, the Sacramento Superior Court issued a decision on *Genest*, denying the petition as well as rejecting the California Redevelopment Association's request for a stay of the SERAF transfers required by Health and Safety Code section 33690. In May 2010, the Agency made its State-mandated Education Revenue Augmentation Fund payment of $6,818,255 to the County Auditor's office for FY 2010.

TRANSPORTATION MANAGEMENT PROGRAM (GENERAL)

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

AGENCY'S AFFORDABLE HOUSING PROGRAM

617 GARDEN STREET (BUILDING HOPE)

The Mental Health Association in Santa Barbara County (MHA) completed construction of a large, mixed-use project directly across the street from the Agency's Garden Street offices. The project provides 50 units of affordable rental housing for a combination of low income MHA clients and downtown workers and one on-site manager's unit. The project also features administrative office space and program space for MHA and office space for government or non-profit use. The Agency contributed land (a former parking lot for employees) to the project and has disbursed the $6.3 million it committed to the project, in addition to the $385,000 in state HELP funds the Agency spent for predevelopment. The City also provided a $360,000 grant of Community Development Block Grant funds for necessary repairs to the subterranean parking level. The project's residential units are completed and fully occupied.

HOUSING REHABILITATION LOAN PROGRAM (HRLP)

Loans and grants totaling over $1 million were provided to 11 low income multifamily rental projects through the City's Housing Rehabilitation Loan Program (HRLP). These loans and grants were used for substantial renovations in order to extend the useful life of these important projects.

The source for all of these loans and grants was the federal Community Development Block Grant (CDBG) program. The projects receiving the most HRLP funding were: the Sarah House hospice ($40,000); the Mental Health Association project at 617 Garden St. ($360,000); the Peoples' Self-Help Housing project known as Milagro de Ladera at 322 Ladera Street ($135,000); 3 projects owned by the Community Housing Corporation (total of $117,000); 4 projects owned by the City Housing Authority (a total of $258,000); and the Transition House project at 425 E. Cota ($100,000).

Each of these rental projects is owned and operated by a non-profit housing provider such as the City Housing Authority, Peoples' Self-Help Housing Corporation, and Sanctuary Psychiatric. These projects all are subject to long-term affordability restrictions that assure that the units will continue to be affordable to their targeted population for many years to come.

618 SAN PASCUAL (HABITAT FOR HUMANITY)

Habitat is in the middle of construction of 4 new low income ownership housing units. Habitat's well-tested construction formula includes donated materials and technical assistance from the local development community, volunteer labor, future homeowners' labor (sweat equity), and grant funds and donations from a wide range of foundations, local churches, and individuals. The Agency provided $400,000 in state HELP funds for acquisition in the form of a short-term loan which Habitat has repaid. Agency staff secured $660,000 in City HOME funds for construction plus a $40,000 grant of HOME funds to help pay the salary of construction supervisor. Construction is expected to be completed in early 2011.

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

The Housing Authority is in the middle of construction of a new 55-unit project that will house low income downtown workers, aging foster youth, and the homeless. The project was awarded $11.7 million in tax credits. The Agency provided $4 million for acquisition of the property plus $284,583 for construction. Agency staff also secured $915,417 in HOME funds for construction, bringing the total local subsidy to $5.2 million. Construction is expected to be completed in 2011.

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

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

The building at 421 East Cota Street (it once housed the old Mom's restaurant) has structural issues that limit development options. Transition House plans to demolish the structure, build 8 new affordable housing units

over a ground-floor infant care center, rehabilitate the existing 8 apartments next door, and connect the two buildings. The Agency provided a $120,000 predevelopment loan for the new construction. While previous tax credit applications have not been awarded, Transition House has been encouraged to resubmit, with their application due in July. The Agency has committed $150,000 for rehabilitation of the existing units, and Agency staff secured $100,000 in CDBG funds for replacement of the roof. Agency staff also secured $850,000 in HOME funds for predevelopment and construction of the new units. If their tax credit application is approved, Transition House would commence construction in early 2011.

512-518 BATH STREET (BRADLEY PROPERTY)

In June, 2008, the Agency provided the City's Housing Authority with a loan of $4,800,000 for the acquisition of property at 512-518 Bath Street. The Housing Authority is land-banking the site for future affordable housing development – a supportive housing project for the homeless and downtown workers of 54 units. As the property abuts Mission Creek, the project would also include a creek restoration component. The Agency committed an additional $1,600,000 to the project for construction, bringing the total for the project to $6,400,000. The Housing Authority is preparing an application for $8,700,000 in tax credits and is in the process of securing entitlements for developing the project. Until the new construction is ready to commence (late 2011), the Housing Authority will operate an existing 10-unit residential structure on the site as affordable rental housing.

INTRODUCTION

This report, covering the projected program year for the fiscal year ending June 30, 2011 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 2011 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2011, including appropriations from prior year balances.

FISCAL YEAR 2011 WORK PROGRAM

REDEVELOPMENT AGENCY GENERAL FUND PROJECTS

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

ERAF Shift FY 2011 ***$1,400,000***

Funds reserved to cover this State obligation if litigation fails.

Property Management: ***$176,100***

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.

Overnight Accommodation Mitigation ***$10,000***

Fund for use by Transition House to provide hotel vouchers to families in the event their shelter is full.

Hazardous Materials: ***$286,735***

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

Downtown Organization Cultural Promotions 2011: ***$133,407***

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

Appropriated Operating Reserves: ***$80,000***

REDEVELOPMENT CAPITAL FUND PROJECTS

East Cabrillo Boulevard Sidewalk Replacement – Phase II — *$590,226*

Funds for Phase II sidewalk replacement from Milpas Street to Niños Drive.

Chase Palm Park Lighting and Electrical Upgrades — *$569,000*

Design will begin FY 2011.

Plaza del Mar Restroom Renovation — *$212,000*

Funding for the complete renovation of a highly visible and heavily used restroom at Plaza del Mar field. Renovation would include graffiti resistant materials as well as energy and water saving fixtures.

Pershing Park Restroom Renovation — *$120,000*

Funding for the complete renovation of a highly visible and heavily used restroom at Pershing Park. Renovation would include graffiti resistant materials as well as energy and water saving fixtures.

Panhandling Education and Alternate Giving Campaign — *$75,000*

Grant funding for Downtown Organization use in pilot program to educate the public regarding panhandling and giving them opportunities to give to an outreach program operated by Casa Esperanza.

Police Department Locker Room Upgrade: — *$7,426,882*

Funds for additional design services and construction of the upgrade of the Police Department's including electrical improvements, a backup generator and a new HVAC system for the entire building. An additional $7,575,000 was allocated in Fiscal Year 2009.

925 De la Vina Rental Costs — *$302,906*

Funding to cover office space for Fire Department administrative staff during the renovation of the building adjacent to Fire Station #1 into administrative offices.

Parking Lot Construction Fund — *$188,715*

Funding for needed capital improvements to various Agency-owned parking structures. Adequate parking is essential to a vibrant Project Area.

Opportunity Property Acquisition Fund: — *$366,000*

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

Redevelopment Project Contingency Account: — *$2,153,768*

Funds to be used to cover project cost overruns due to increases in construction costs during the period between project appropriation and project construction.

Housing Fund Contingency Account: — *$348,455*

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

Soil Remediation at 125 State Street — *$370,063*

Funds for contaminated soil remediation at Agency-owned parcel at 125 State Street. The parcel was originally part of the historic railroad station complex.

Downtown Parking Structures (#9 & #10) Construction Improvements ***$2,250,000***

Funds allocated for the building code upgrades to Agency-owned parking structures #9 and #10.

Lower West Downtown Street Lighting ***$750,000***

Funding for Phase I of three phases will include West Haley Street on the north, De la Vina Street on the east, West Gutierrez Street on the south and Bath Street on the west.

Cabrillo Arts Pavilion Assessment Study ***$250,000***

Funding for building and grounds Assessment Study that would include structural, mechanical, electrical, plumbing, and ADA requirements. It is anticipated that the assessment would eventually lead to capital improvements.

State Street Pedestrian Amenities Pilot ***$50,000***

Funding for an initial phase to relocate and reorient various benches and pedestrian amenities in 800 and 900 blocks of State Street. Proposed by the Downtown Organization's Safety Committee.

Carrillo Recreation Center ***$122,089***

Remaining funding for the renovation of the Carrillo Recreation Center.

SERIES 2001A TAX ALLOCATION BOND CAPITAL PROJECTS

Mission Creek Flood Control at the Railroad Depot ***$1,964,701***

Funds for Mission Creek Flood Control improvements at the Agency-owned Santa Barbara Railroad Station that will include new culverts.

Brinkerhoff Street Lighting ***$181,242***

Funds remaining for four new decorative street lights along Brinkerhoff Avenue.

Carrillo Recreation Center Restoration ***$1,000,000***

Additional funds from this bond fund for the renovation of the City's historic central city recreation center.

SERIES 2003A TAX ALLOCATION BONDS CAPITAL PROJECTS

Mission Creek Flood Control at the Railroad Depot ***$535,299***

Additional funds allocated for flood control work at the Agency-owned Santa Barbara Railroad Station.

Helena Street Parking Lot ***$489,462***

Funds for the development of the Agency-owned parcel adjacent to the youth hostel being built by the Parker Family Trust. Additional parking in this area will be utilized by waterfront visitors at the proposed Children's Museum to be developed on a nearby Agency-owned parcel next to the Railroad Depot on State Street.

Mission Creek Flood Control Enhancement: ***$751,367***

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

Plaza de la Guerra Infrastructure: ***$2,226,069***

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

Visitor Center Condominium Purchase: ***$500,000***

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

Lower State Street Sidewalks: ***$335,000***

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

Fire Department Administrative Annex ***$3,582,781***

Funds for the renovation of a former muffler shop into the Fire Department's administrative offices.

Chase Palm Park Restroom Renovation ***$186,600***

Funds for the renovation of a heavily-used existing restroom on the beach side of East Cabrillo Boulevard (near Calle Cesar Chavez) in Chase Palm Park.

Downtown Sidewalks ***$175,000***

Funds for sidewalk replacement along a three block stretch of 3 downtown State Street cross streets – Ortega, Cota and Haley Streets.

Downtown Parking Structure Improvements - #2, 9 and 10 ***$87,661***

Additional funds allocated to maintenance contracts for these three downtown parking structures.

Library Plaza Renovation ***$150,000***

Funds for a complete renovation of the Library Plaza. The concept includes removal of walls to make a level area and redesign consistent with newly constructed Jardin de las Granadas across East Anapamu Street.

Artist Workspace: ***$525,419***

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

Westside Community Center Park Renovation: ***$176,414***

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

Carrillo Recreation Center Restoration: ***$2, 349,569***

Funding for interior and exterior renovation of the historic Carrillo Recreation Center. Upgrades to electrical, plumbing, structural and numerous aesthetic improvements. The Center is under renovation and completion is expected mid FY 2011.

Chase Palm Park Wisteria Arbor: ***$835,000***

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.

COMMUNITY GRANTS

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

Grant funds to the Santa Barbara Trust for Historic Preservation for use in rehabilitation of the rehabilitation of onsite buildings for use by the Trust for administrative offices.

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

Funds to be used in the restoration of the Spirit of the Ocean fountain on the façade of the historic downtown County Courthouse. The Courthouse has a major presence in the downtown drawing international media and tourists alike. The Legacy Foundation was granted an extension on the use of their grant due to delays in the permitting process.

AFFORDABLE HOUSING SETASIDE FUNDS

421 East Cota Street – Transition House ***$45,650***

Additional funds for construction of new units as part of the development of Mom's into residential units.

Mom's ***$150,000***

Redevelopment Agency loan to be used for the rehabilitation of the existing units that are a part of the Cordover Center.

Bradley Studios ***$1,600,000***

Funds for the Housing Authority to use in the development of units for low income downtown workers and special needs/homeless persons.