



OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

AGENDA DATE: July 31, 2013

TO: Oversight Board Members

FROM: Successor Agency Staff

SUBJECT: Proposed Capital Projects To Be Funded By Unencumbered
Redevelopment Agency Bond Proceeds

RECOMMENDATION:

That the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Santa Barbara Authorize and Direct the Successor Agency to separately list on the 13-14B Recognized Obligation Payment Schedule as New Enforceable Obligations the Capital Projects Recommended Herein.

BACKGROUND:

As part of the state mandated process to dissolve redevelopment agencies, once a local successor agency receives a finding of completion from the State Department of Finance, the successor agency may create new enforceable obligations to expend excess, unencumbered, bond proceeds derived from bonds issued prior to December 31, 2010 and to expend those proceeds in a manner consistent with the bond covenants.

Authority to spend excess bond proceeds only arises once the successor agency receives a finding of completion from the Department of Finance (DOF). The Successor Agency to the Redevelopment Agency of the City of Santa Barbara was issued a Finding of Completion on April 26, 2013. (Attachment 1.) To date, the Successor Agency to the Santa Barbara Redevelopment Agency has paid \$18,205,253 to the County of Santa Barbara which has been distributed to the various local taxing entities. Of that total distribution, \$2,963,990 came from affordable housing funds.

Staff is of the opinion that this new authority to spend excess bond proceeds is provided to successor agencies as an incentive to encourage successor agencies to comply with the requirements of AB 1484 and to promptly pay to the County Auditor, for distribution to the taxing entities, all amounts determined as due by the Auditor and DOF. The DOF confirmed the authority of the Successor Agency to spend excess bond proceeds in the

Letter pertaining to the Ensemble Theatre Restated Grant dated July 2, 2013. (Attachment 2.)

The former RDA issued bonds in 2001 and 2003. There remains \$14,072,192 in bond proceeds unspent and unencumbered from those two issuances -- \$2,118,871 from the 2001 Bond, and \$11,953,321 from the 2003 Bond.

In accordance with AB 1484, Health and Safety Code Section 34191.4(c)(1) and (2), bond proceeds shall be used for the purposes for which the bonds were sold. Section (c)(2) expressly allows the creation of new enforceable obligations to expend the excess bond proceeds in a manner consistent with the original bond covenants. The new obligations must be listed separately on the ROPS submitted by the Successor Agency.

The Successor Agency has prepared a list of eligible capital projects for consideration by the Oversight Board. If the Oversight Board concurs with the list, the projects will be separately listed on the next applicable Recognized Obligations Payment Schedule as projects to be funded from unencumbered bond proceeds and submitted to the DOF for approval.

PROPOSED CAPITAL PROJECTS

To determine eligible capital projects for the remaining bond proceeds, Staff has looked towards the Official Statement issued for each bond. The Official Statement is the document relied on by bond holders when deciding whether or not to purchase the bonds. The bonds themselves are secured by a pledge of tax increment. Bond holders rely on the fact that the projects for which the bond proceeds are expended will result in increased property valuation for property tax purposes. As the property values increase due to the redevelopment activity in the project area, the security for the bonds also increases.

The 2001 Official Statement states,

“Proceeds of the Series 2001 A Bonds will be used to continue the redevelopment activities within the Redevelopment Project including the Lot 6 Parking Structure, State Street Sidewalks Phase II and Phase III, the Cultural Arts District Plan Property Development including the Granada Theater Acquisition/Renovation Project and Ensemble Theatre Development Project, the Mission Creek Flood Control Project Enhancements and property acquisition.”

Further detail on each of the projects is provided in the Official Statement at pages 26-28. (Attachment 3.)

The 2003 Official Statement states:

“Proceeds for the Series 2003 A Bonds will be used to continue the redevelopment activities within the Project including one or more of the Granada Garage, the State Street Sidewalk Improvement Project (400-500 Blocks), Carrillo Street Sidewalk Improvements, 916 State Street Public Restroom Project, the West Downtown Improvement Program, the Carrillo Recreation Center Restoration, Waterfront property Development, Cabrillo/State Restroom Remodel, the Fire Station #1 Remodel, and the Cabrillo Boulevard Sidewalk Project.”

Further detail on each project is provided in the Official Statement at pages 24-27 (Attachment 4.)

The list provided in the bond documents is not an exclusive list, but rather an example of the sort of capital projects that serve to “continue the redevelopment activity in the project area.” In evaluating former RDA capital projects for use of the bond proceeds, staff also looked to the former RDA’s Five Year Implementation Plan 2010-2014 (see Attachment 5) and reviewed projects that were underway at the time of the RDA dissolution. The former RDA’s Five Year Implementation Plan describes the projects that satisfy the requirement that the “Bonds be used to continue redevelopment activities within the project”.

As required by AB 1484, the following capital projects are projects that serve to “continue redevelopment activity in the Project area and therefore satisfy the requirement of AB 1484 that the excess bond proceeds be used in a manner consistent with the bonds.

Bath Street Pocket Park – The proposed pocket park at the corner of Bath and Ortega Streets was identified as part of the Mission Creek Flood Control Project, and includes the installation of a playground for 2-5 year old children among other amenities. The property size is 2,688 square feet. The project was included in the 2001 Bond Measure’s Official Statement and the RDA Five Year Implementation Plan. Design and installation are still required. Total project cost is \$250,000.

Cabrillo Pavilion and Bathhouse Renovation – The project includes renovation of the 24,500 square foot building which was first constructed in 1926. The scope of work includes renovation of all mechanical, plumbing and electrical systems; building structure stabilization; restoration of the exterior promenade and building facade; exterior accessibility to both levels; interior elevator access; interior renovation of shower/locker facilities, gym, restrooms and kitchen facilities; and renovation of and space planning for a new multi-purpose room; and second floor restroom, kitchen and main room renovation, among other things.

The project is included in the RDA's Five Year Implementation Plan, with an expected cost of \$10,300,000.

Work had begun on the project prior to the dissolution of the Redevelopment Agency, with over \$120,000 expended on building infrastructure technical studies analyzing the facility needs, as well as a business development plan for potential appropriate community oriented uses. The 2001 and 2003 Bonds were sold in order to provide funds to continue redevelopment activities within the Redevelopment Project area. The Cabrillo Pavilion and Bathhouse are contiguous to the CCRP and are in state of severe decline which, if left unattended, will result in a condition of blight.

Staff recommends bond proceeds in the amount of \$9,117,026 towards this project.

Police Department 911 Call Center – The project includes the temporary relocation of the 911 dispatch center to the Granada Garage second floor office space. The former RDA was looking to do a complete replacement of the Police Department Headquarters using \$25 million of remaining RDA money to fund a substantial portion of the cost to do so. A seismic analysis called into question the ability to keep the 911 dispatch center fully operational during an earthquake due to its location in the basement of the Police building. Until a resolution for funding a new building can be developed, it became imperative to move the 911 dispatch center to a more seismically secure temporary facility. Planning and design was initiated for such a move prior to the dissolution of the RDA. Over \$1.1 million had been spent on the Police Building planning and design process.

The 2001 and 2003 Bonds were sold in order to provide funds to continue redevelopment activities within the Redevelopment Project area. The Granada Garage facility is within the CCRP and bond proceeds were used to originally construct the facility. This project is included in the five year RDA implementation Plan as part of the police building renovation project. The cost of the project is \$2,280,000.

West Downtown Lighting Phases II and III – The project is for installation of streetlights in the Lower West Downtown area. Phase I has been constructed. The remaining two phases of the project only require a small amount of work for final design and then will be ready to be bid out and installed. Over \$750,000 has been spent on designing the first three phases of the project and installation of Phase I prior to the dissolution of the RDA. This project was included in the 2003 bond, and is included in the RDA Five Year Implementation Plan. The cost for completing design and construction is \$1,300,000.

Ensemble Theater/Victoria Hall – The Successor Agency, Oversight Board and the California Department of Finance recently approved a modification to the Ensemble Theater grant agreement to assist in the permanent purchase of the property. The revised agreement decreased the amount of the previously approved enforceable obligation from \$1,000,000 to \$950,000. Bond proceeds were identified as the source

of funds for this obligation, as the project is included in the 2003 bond, and in the RDA Five Year Implementation Plan.

West Beach Pedestrian Improvement – This project is completed. However, there is an outstanding retention payment of \$175,166 being held due to a protracted lawsuit with Elevation Engineering. Depending upon the outcome of that lawsuit, this amount will either need to be paid out, or could be used for other eligible bond projects. The project is included in the 2003 Bond, and in the Five Year Implementation Plan.

Funding for these six projects total \$14,072.192.

Successor Agency Review

The Successor Agency reviewed and approved the proposed projects for funding at their July 23, 2013 meeting.

STAFF RECOMMENDATION

Staff recommends the following projects be listed on the 13-14B ROPS as payable from excess bond proceeds:

- Bath Street Pocket Park
- Cabrillo Bathhouse and Pavilion
- Police Department 911 Call Center
- West Downtown Lighting Phases II and III
- Ensemble Theater/Victoria Hall
- West Beach Pedestrian Project Retention

- ATTACHMENT(S):**
1. Finding of Completion Letter dated April 26, 2013
 2. State Letter regarding Ensemble Theatre
 3. Excerpts of 2001 Bond Document
 4. Excerpts of 2003 Bond Document
 5. Redevelopment Agency Five Year Implementation Plan 2010 – 2014

PREPARED AND SUBMITTED BY: Brian J. Bosse, Waterfront Business Manager