

# 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, 2007

**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, 2007**

**ROBERT D. PEIRSON, AGENCY TREASURER**



## Introductory Section

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Fiscal year ended June 30, 2007**

**Table of Contents**

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Table of Contents.....	i-ii
Letter of Transmittal .....	iii-vi
Directory of Agency Officials .....	vii
 <b><u>FINANCIAL SECTION</u></b>	
Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis (Required Supplementary Information) .....	3 - 10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to	
Net Assets of Governmental Activities in the Statement of Net Assets.....	15
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	17
Notes to the Basic Financial Statements .....	18 - 27
Required Supplementary Information.....	28
Budgetary Information .....	29 - 30
 <b><u>STATISTICAL SECTION (unaudited)</u></b>	
Statistical Section Table of Contents .....	31
Net Assets by Component.....	32
Changes in Net Assets .....	33
Governmental Activities Tax Revenues by Source.....	34
Fund Balances of Governmental Funds .....	35
Changes in Fund Balances of Governmental Funds .....	36
General Governmental Tax Revenues by Source .....	37
Assessed Value and Estimated Actual Value of Taxable Property.....	38
Direct and Overlapping Property Tax Rates .....	39
Principal Property Tax Payers.....	40
Property Tax Levies and Collections .....	41
Ratios of Outstanding Debt by Type.....	42
Ratios of General Bonded Debt Outstanding.....	43
Direct and Overlapping Governmental Activities Debt.....	44
Legal Debt Margin Information .....	45

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Fiscal year ended June 30, 2007**

**Table of Contents (continued)**

	<u>Page</u>
Pledged-revenue Coverage .....	46
Demographic and Economic Statistics.....	47
Principal Employers .....	48
Full-time Equivalent Redevelopment Agency Employees by Function .....	49
Operating Indicators by Function .....	50
Capital Asset Statistics by Function.....	51

**COMPLIANCE AND INTERNAL CONTROL SECTION**

Independent Auditor’s Report on Compliance (Including the Provisions Contained in the Guidelines for Compliance Audits of Redevelopment Agencies) and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	53 - 54
--	---------

**ANNUAL PROGRAM REPORT/WORK PROGRAM**

Annual Work Program Report - Fiscal Year 2007 (not covered by Independent Auditor’s Report) .....	55 - 63
Annual Work Program Report - Fiscal Year 2008 (not covered by Independent Auditor’s Report) .....	64 - 68



# City of Santa Barbara

Finance Department

[www.SantaBarbaraCA.gov](http://www.SantaBarbaraCA.gov)

November 12, 2007

## **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, 2007. 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.

The CAFR is organized into three main sections:

1. Introductory Section – Includes the Letter of Transmittal with comments on the operations of the Agency and a list of Agency officials;
2. Basic Financial Statements and Required Supplementary Information Section – Includes the independent auditors' report, MD&A, Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, and Required Supplementary Information; and
3. Statistical Section – Includes selected financial and demographic information, generally presented on a multi-year basis.

## **ECONOMIC CONDITION AND OUTLOOK**

Local property taxes, the primary revenue source of the Redevelopment Agency, continue to increase. The residential real estate market in Santa Barbara has been very active during the last few years, attributable primarily to low interest rates and, in part, to a housing demand based on wealth and not current income. The national real estate market has been slowing recently but it is very difficult to predict what impact this trend will have on Agency revenues. The median price of residential real estate on the South Coast, which includes Goleta, Santa Barbara, Montecito and Carpinteria, continues to hover around \$1 million.

As the Central City Redevelopment Project Area (the only project area of the Agency) moves into its final seven years of operation, numerous operational challenges await it. In Fiscal Year 2007, the Redevelopment Agency made

significant headway on implementing the Agency's Capital Program which consists of over 30 capital projects. The capital improvement program will be used as a guide for the Agency in its efforts to maximize financial and physical impacts over the next seven years and to create programs to succeed the Redevelopment Agency.

## **MAJOR INITIATIVES**

### **CARRILLO-CHAPALA MIXED USE PROJECT (2003A BOND)**

The Agency and the Metropolitan Transit District have been working to develop property on the 1000 block of Chapala Street. The project site covers more than half of an entire City block and is composed of the 164-space City Parking Lot #3 and the MTD Transit Center. The intersection of Carrillo and Chapala Streets has seen major improvements in recent years, with the construction of the Hotel Andalucia and the Ralph's Supermarket. The property owners have identified an opportunity to consider a joint mixed-use redevelopment project on the property. A Downtown Transit Village is envisioned for this prime gateway site, incorporating public and private parking, a mix of housing, a new MTD transit center, and various commercial uses. In April 2006, after a Request for Proposal process, Urban Studio and their sub-consultants, Allan D. Kotin and Associates and Patti Post and Associates, were chosen based on their experience with similar feasibility analyses, local knowledge, and expertise in advising public agencies on real estate deal structuring. The feasibility analysis has been completed and addresses the opportunities, constraints, and challenges presented by the physical, financial, and regulatory conditions affecting redevelopment of the 1.8 acre site. The analysis includes an evaluation of the most appropriate location of the transit center, an analysis of the project site and surrounding area and a land-use planning strategy that addresses the feasibility of various project components, including whether the scenarios are economically feasible. A Request for Qualifications is being compiled and will be released to the development community to recruit developers interested in designing and constructing the project. The Agency has allocated \$2 million towards this effort.

### **CHAPALA STREET INTERSECTIONS (2001A BOND)**

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

In order to significantly enhance the safety, functionality and aesthetics of the intersections at both De La Guerra and Gutierrez Streets as per the Guidelines, the Redevelopment Agency authorized funding in the amount of \$835,000 at the January 27, 2005 meeting to complete the intersection improvements that were not the obligations of the developers of the two projects mentioned above. At a joint meeting of the Redevelopment Agency and City Council, the Agency Board allocated further funding of \$158,300 for the construction of the intersection improvements. Granite Construction Company was awarded the construction contract which consisted of sidewalk improvements, including bulbouts, at these two intersections. In addition to the ADA accessible ramps, the bulbouts enhance pedestrian mobility and safety by reducing crosswalk distances at the intersections. The crosswalks, leading from the bulbouts, were constructed of attractive brick pavers in a herringbone pattern. In addition, landscape improvements, including trees, ground cover and minor shrubs, were included consistent with the Guidelines. Construction was coordinated with the State Street Sidewalk Improvement Project in order to reduce congestion downtown. The project is expected to be completed early in the first quarter of FY 2008.

### **914 STATE STREET PUBLIC RESTROOMS (2001A BOND)**

The only City-owned public restrooms on State Street are located at 914 State Street between Borders Bookstore and the Fiesta Five Movie Theaters and were opened October 2006. The restrooms were designed by Poirier and David Architects to complement the historic architecture of the City's El Pueblo Viejo. Particular attention was paid to incorporate sustainable design elements with the inclusion of skylights to allow natural daylight, low-flow toilets and faucets, waterless urinals, and low-water landscaping. W.T. Thomson, Inc. was awarded the restroom construction contract and construction was begun in the fourth quarter of the Fiscal Year 2006. This 350-square foot ADA accessible restroom also included recycled tile, recycled content toilet partitions and a de-ionized water system

that reduces reliance on toxic chemicals to the clean the restrooms. The final cost was \$437,799 including design and change orders.

#### STATE STREET SIDEWALKS PHASE IV – 400 & 500 BLOCKS (2003A BOND)

The final phase of the State Street Sidewalk Improvement Project was completed in May 2007, and all four phases were feted at a Grand Finale and Opening party on June 9, 2007. As in the other phases, these two blocks now have brick pavers replacing the old saltillo tile which had proven to be a maintenance concern. Now sidewalks from the 400 block to the 1200 block are continuous brick and all have holiday lighting, enhanced with pedestrian amenities that improved pedestrian access and safety, diversified landscaping, and increased storefront visibility. Modifications were made to the original phase (1000- 1200 blocks) to make it consistent with the other three phases. These modifications included upgraded handicap ramps to current Americans with Disabilities Act standards, concrete reinforcement of planter edges, and electrical wiring for existing art pads.

As with the three previous phases, Phase IV has included a comprehensive public outreach program throughout the duration of the project design. The Agency had allocated \$2 million for the design and construction of Phase IV of the State Street Sidewalks Improvement Project which included the 400 and 500s block of State Street between Gutierrez and Cota Streets. But with time elapsing and construction prices rising, the Redevelopment Agency had to increase the funding by \$1.2 million. Lash Construction was awarded the construction contract and the final phase total cost was \$3.125 million. The Downtown Organization once again organized a public relations campaign to ease the inconveniences caused by the construction and closed streets.

#### AGENCY'S AFFORDABLE HOUSING PROGRAM

##### 315 WEST CARRILLO STREET (EL CARRILLO)

On September 15, 2006, the City's Housing Authority completed 61 small (254 square foot) studio apartment rental units (plus one 2-bedroom manager's unit) for the homeless. The Housing Authority owns and manages the project. The Agency loaned the Housing Authority \$1,775,000 for acquisition of the half-acre site located adjacent to their award-winning Casa de Las Fuentes "Downtown Worker" affordable rental housing project. The Agency also provided a \$300,000 predevelopment loan in state HELP funds. The project received over \$8 million in federal low income housing tax credits and received \$1 million in below market rate construction loan funds from the Santa Barbara County Housing Trust Fund.

El Carrillo is the first project to be completed under the County's Ten Year Plan to End Chronic Homelessness. The experienced social services organization, Work Training Programs, Inc (WTP), provides a full range of services. Two full-time WTP case workers are on site daily, through funding provided by Santa Barbara County Alcohol, Drug & Mental Health Services. WTP reports that nearly every resident regularly participates in medical and/or psychological support services. Chronic homelessness exacts a high toll on public services. City estimates for social service costs related to the homeless approach \$700,000 annually, not counting costs for hospital emergency rooms, jails and psychiatric wards. In addition to cost savings, El Carrillo benefits the community in taking troubled homeless people off the street and returning them to more productive lives. El Carrillo has received numerous awards for program design, social advocacy, architecture, and solar energy.

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

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

The two projects represent the largest affordable housing site ever developed in the County and demonstrate how affordable housing can be produced on a regional inter-governmental basis. Both projects are rapidly approaching completion. Mercy Housing has already selected tenant families for St. Vincent's Gardens and plans to move them in shortly.

617 GARDEN STREET (BUILDING HOPE)

The Mental Health Association in Santa Barbara County (MHA) has commenced construction on a large, mixed-use project directly across the street from the Agency's Garden Street offices. The project will provide 51 units of affordable rental housing for low income MHA clients and downtown workers and will feature administrative office space and program space for MHA and office space for the City. The Agency contributed land (the former parking lot for its employees) to the project and has disbursed the \$5.1 million it committed to the project, in addition to the \$385,000 in state HELP funds the Agency spent for predevelopment. The residential portion of the project is expected to be completed by the end of 2008.

**OTHER INFORMATION**

**Component Unit Reporting**

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

**Internal Controls**

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

**Independent Audit**

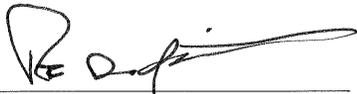
The City requires an annual audit of the financial statements of the Agency by an independent certified public accountant. The Agency is in compliance with this requirement and the independent auditor's report has been included in this report on page 1 at the beginning of the financial section.

**Acknowledgments**

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

Respectfully Submitted,

  
James L. Armstrong  
Executive Director and Secretary

  
Robert D. Peirson  
Agency Treasurer

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

**Directory of Agency Officials**

**June 30, 2007**

Marty Blum  
Chairperson

Grant R. House  
Member

Helene Schneider  
Member

Roger L. Horton  
Member

Das Williams  
Member

Iya G. Falcone  
Member

Brian B. Barnwell  
Member

James L. Armstrong  
Executive Director and Secretary

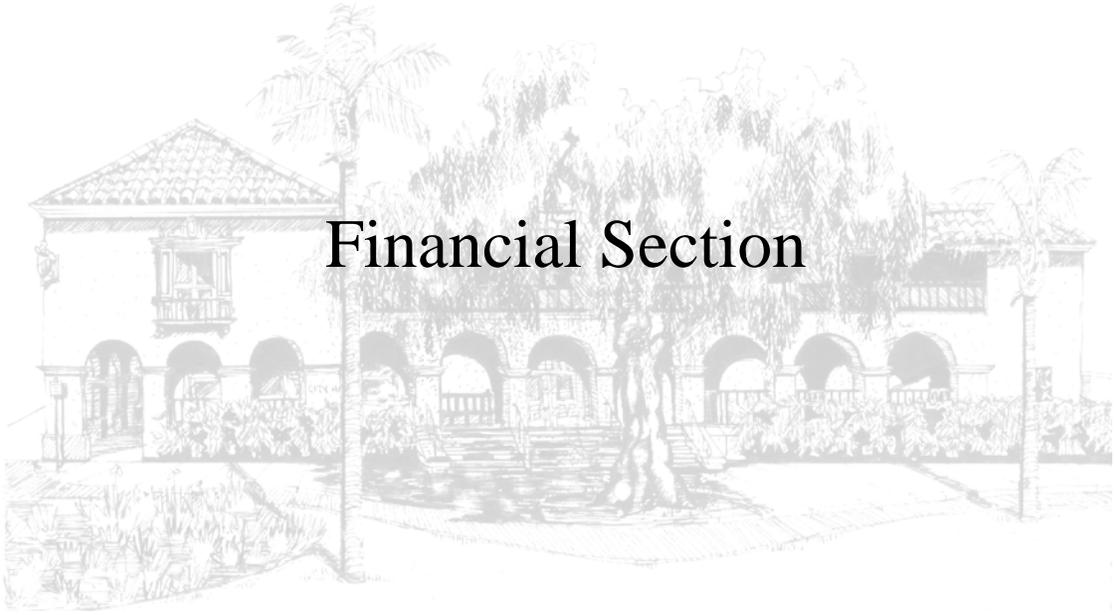
Paul A. Casey  
Deputy Director

Stephen P. Wiley  
Agency Counsel

Robert D. Peirson  
Agency Treasurer

David K. Gustafson  
Housing & Redevelopment Manager





## Financial Section

## 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, 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**

180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**

9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**

777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**

4858 Mercury, Suite 106  
San Diego, California 92111

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

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

*Capricci & Carson*

Irvine, California  
November 12, 2007

# **Redevelopment Agency of the City of Santa Barbara Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007**

---

This section of the Comprehensive Annual Financial Report of the Redevelopment Agency of the City of Santa Barbara presents an overview of the Agency's financial activities for the fiscal year ended June 30, 2007. 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-vi of this report.

## **FINANCIAL HIGHLIGHTS**

- Total assets of the Agency were \$177.5 million at June 30, 2007, an increase of approximately \$571,000 from the prior year.
- Net assets (assets over liabilities) of the Agency at June 30, 2007 totaled \$99.4 million, an increase of \$5.2 million from the prior year. Of the total, \$13.7 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, 2007 totaled \$19.1 million and expenses totaled \$13.9 million.

## **OVERVIEW OF FINANCIAL STATEMENTS**

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

### **Government-Wide Financial Statements**

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

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

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

### **Fund Financial Statements**

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

**Redevelopment Agency of the City of Santa Barbara  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

---

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

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

The Agency maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

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

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

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 27 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

**Redevelopment Agency of the City of Santa Barbara  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

**Statement of Net Assets**

Table 1 below provides a summary of the Statement of Net Assets as of June 30, 2007 and 2006, which can also be found on page 12 of this report.

<b>Table 1</b>		
<b>Redevelopment Agency of the City of Santa Barbara</b>		
<b>Summary of Net Assets</b>		
<b>As of June 30, 2007 and 2006</b>		
	2007	2006
Current and other assets	\$ 94,225,765	\$ 96,932,581
Capital assets	83,237,644	79,959,920
Total assets	177,463,409	176,892,501
Current liabilities	3,203,409	2,511,900
Long-term liabilities	74,860,000	80,210,000
Total Liabilities	78,063,409	82,721,900
Net assets:		
Invested in capital assets, net of related debt	42,012,677	42,215,221
Restricted	43,727,531	41,153,696
Unrestricted	13,659,792	10,801,684
Total Net Assets	\$ 99,400,000	\$ 94,170,601

As of June 30, 2007, assets for the Agency totaled \$177.5 million, an increase of approximately \$571,000 from the prior year. Capital assets increased \$3.3 million, primarily due to sidewalk construction. Cash and investments increased from \$18.9 million in fiscal year 2006 to \$20 million in fiscal year 2007. This \$1.1 million increase in cash and investments is primarily the result of tax revenues in excess of operating expenses during the year. Restricted cash with fiscal agents decreased \$8 million, primarily due to capital project expenditures during the year.

Liabilities at year-end totaled approximately \$78.1 million, a \$4.7 million decrease from the prior year. The largest factors contributing to the change are: The \$5.4 million principal retirement on outstanding tax allocation bonds, offset by a \$715,000 increase in accounts payable at year-end.

Net assets as of June 30, 2007, totaled \$99.4 million. Of this total, \$42 million is invested in capital assets; \$43.7 million is restricted, of which \$38 million is restricted for low and moderate-income housing activities; and \$13.7 million is unrestricted. In total, net assets increased by approximately \$5.2 million. This is primarily due to a \$ 4.4 million decrease in program expenses (including grants) and a \$1.6 million increase in incremental property tax revenues.

**Statement of Activities**

Table 2 provides a summary of the Statement of Activities for the Agency for the fiscal years ended June 30, 2007 and 2006. As shown in Table 2, revenues for the year ended June 30, 2007, totaled \$19.1 million, a decrease of \$766,000. Of this total, \$16.7 million (88%) consists of property tax increment revenues. As previously discussed, the nature of redevelopment agencies is such that they are created for the purpose of eliminating blight, through capital improvements, where needed in the community. The improvements are financed by the issuance of bonds that are repaid from the incremental property tax revenues generated from the improvements. Therefore, incremental property tax revenues are generally the largest and primary source of revenues for redevelopment agencies. Tax increment revenues grew by approximately \$1.6 million (10.2%) from prior year.

**Redevelopment Agency of the City of Santa Barbara  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

**Table 2  
Redevelopment Agency of the City of Santa Barbara  
Statement of Activities  
Fiscal Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
General Revenues:		
Property tax increment	\$ 16,731,501	\$ 15,179,250
Interest revenue	2,136,623	1,977,778
Program revenue	193,472	639,970
Other revenue	26,069	2,056,198
Total revenues	<u>19,087,665</u>	<u>19,853,196</u>
Expenses:		
General government	2,514,394	3,940,554
Housing	1,151,409	2,584,948
Debt service - interest	3,579,062	3,823,348
Capital improvements	6,613,401	7,873,403
Total expenses	<u>13,858,266</u>	<u>18,222,253</u>
Increase in net assets	5,229,399	1,630,943
Net Assets, beginning of year	<u>94,170,601</u>	<u>92,539,658</u>
Net Assets, end of year	<u>\$ 99,400,000</u>	<u>\$ 94,170,601</u>

The other significant revenue is from investment earnings which totaled \$2.1 million. Investment revenue consists of interest income on RDA loans, pooled investments, and investments held by fiscal agents. Interest on pooled cash and investments increased by \$159,000 as interest rates on the portfolio increased from 3.8% to 4.9% this fiscal year.

Interest on RDA loans is not affected by the interest rate environment, but by loans outstanding and the interest rate contracted when the loans were made. The accounting adjustment required by Governmental Accounting Standards Board Statement 31 resulted in a \$55,342 increase in interest income compared to \$5,666 decrease in the prior year. Expenses totaled \$13.9 million, which included \$3.6 million for interest on outstanding bonds and \$2.5 million for general government. The \$1.4 million decrease in General Government expenses from the prior year is primarily due a \$1.2 million payment to the Educational Revenue Augmentation Fund (ERAF) last year that is no longer required in fiscal year 2007.

Net assets increased during the year as property tax increment and other revenues exceeded expenditures by \$5.2 million. This increase shows continuing strength in the financial condition of the Agency. In total, the Agency received \$19.1 million in operating revenues, and incurred \$13.9 million in operating expenditures. This surplus, however, was used to retire outstanding long-term bonds and fund the additional investment in capital assets, neither of which affects net assets.

**ANALYSIS OF FUND FINANCIAL STATEMENTS**

As previously noted, the fund financial statements are prepared using the modified accrual basis of accounting, where the focus is short-term (i.e., "spendable") financial resources. As such, the balance sheets of governmental funds present current assets and liabilities, and fund balance (assets over liabilities) represents amounts available to

**Redevelopment Agency of the City of Santa Barbara  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

fund current operations. Unlike the balance sheets of the Government-wide Statements, the fund statements do not include capital assets or long-term debt.

	2007	2006
<b>Assets</b>		
Cash and investments	\$ 19,963,830	\$ 18,936,977
Accrued interest receivable	206,802	155,155
Due from City	-	99,264
Loans receivable	37,960,315	33,006,299
Properties held for resale	-	433,325
Cash and investments with fiscal agents	34,124,709	42,110,610
Total Assets	92,255,656	94,741,630
<b>Liabilities</b>		
Accounts payable	1,053,398	338,453
Deposits	168,108	168,108
Deferred revenue	-	99,264
Interest payable	175,370	-
Total Liabilities	1,396,876	605,825
<b>Fund Balance</b>		
Reserved for:		
Encumbrances	1,650,002	1,658,757
Non-current assets	37,424,524	33,006,299
Debt service	698,627	696,386
Redevelopment activities	43,859,263	51,699,993
Low and moderate income housing	7,226,364	7,074,370
Total Fund Balance	90,858,780	94,135,805
Total Liabilities and Fund Balance	\$ 92,255,656	\$ 94,741,630

Table 3 summarizes the balance sheet of all governmental funds as of June 30, 2007, and June 30, 2006. Assets at June 30, 2007, totaled \$92.3 million. The largest assets, at \$38 million and \$34 million, are loans receivable and cash and investments with fiscal agents.

Loans receivable, which increased \$5 million from prior year, primarily include loans provided to low and moderate-income households from the 20% of tax increment set aside for housing pursuant to State law. It also includes loans provided to non-profit developers for purposes of increasing the number of affordable housing units in the City. As these loans are repayable over more than one year and therefore are not currently available for appropriation, a corresponding amount of fund balance is "Reserved for non-current assets" as shown in Table 3.

The majority of the cash and investments with fiscal agents represent bond proceeds which will be used for downtown redevelopment projects. The balance represents funds held in reserve pursuant to related bond indenture provisions for the benefit of bondholders. Cash and investments with fiscal agents decreased by approximately \$8 million from prior year as these funds were disbursed for the related capital projects and loans. This decrease was offset by a net increase of \$1 million in pooled cash and investments (i.e. not held by fiscal agents).

**Redevelopment Agency of the City of Santa Barbara  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

Total liabilities increased by approximately \$791,000. The increase was entirely due to the timing of expenditures at year end. Expenditures incurred but not paid until fiscal year 2008 were recorded as accounts payable at June 30, 2007.

Overall, fund balance decreased \$3.3 million, from \$94.1 million to \$ 90.9 million at June 30, 2007 with varying differences among the categories of fund balance. The \$4.4 million increase in reserve for non-current assets is due to the increase in long-term loans receivable, as previously discussed. The \$7.8 million decrease in the reserve for redevelopment activities is the result of the consumption of bond funds for capital projects, either as direct expenditures or encumbrances. Low and Moderate Housing (Low Mod) reserves increased \$152,000 due to increased tax revenues less expenditures for Low Mod housing activities.

**GENERAL FUND HIGHLIGHTS**

<b>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, 2007</b>				
	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property tax increment	\$ 12,320,000	\$ 12,320,000	\$ 13,464,610	\$ 1,144,610
Interest revenue	223,000	223,000	827,022	604,022
Other revenue	-	-	50	50
Total Revenues	<u>12,543,000</u>	<u>12,543,000</u>	<u>14,291,682</u>	<u>1,748,682</u>
<b>Expenditures</b>				
Supplies and services	1,638,787	1,638,897	1,549,932	88,965
Projects	2,592,713	4,001,649	954,016	3,047,633
Other	61,500	80,713	10,446	70,267
Total Expenditures	<u>4,293,000</u>	<u>5,721,259</u>	<u>2,514,394</u>	<u>3,206,865</u>
Excess of revenues over expenditures	8,250,000	6,821,741	11,777,288	4,955,547
Operating transfers out	<u>(8,250,000)</u>	<u>(9,595,976)</u>	<u>(9,548,173)</u>	<u>47,803</u>
Net change in fund balance	-	(2,774,235)	2,229,115	5,003,350
Fund balance, beginning	<u>5,657,874</u>	<u>5,657,874</u>	<u>5,657,874</u>	-
Fund balance, ending	<u>\$ 5,657,874</u>	<u>\$ 2,883,639</u>	<u>\$ 7,886,989</u>	<u>\$ 5,003,350</u>

Table 4 recaps the budgeted and actual results of operations of the Agency's General Fund for the fiscal year ended June 30, 2007, including the originally adopted and final amended budget amounts. The adopted budget for revenues remained unchanged during the year at \$12.5 million. This included a \$12.3 million estimate for property tax increment revenues and \$223,000 for interest revenue. Actual revenues for the year were \$14.3 million, resulting in a variance of \$1.7 million. Because property tax revenues represent 98% of total budgeted revenues, amounts are budgeted conservatively and thus generally show a favorable variance at year-end. The \$604,000

**Redevelopment Agency of the City of Santa Barbara  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

---

variance in interest revenue is due to increased yield on the Agency's investment portfolio and a positive \$27,000 GASB 31 adjustment.

Expenditures (excluding transfers) were budgeted at \$4.3 million on July 1, 2006, with the final budget increasing to \$5.7 million. The additional appropriations of \$1.4 million consist of the carryover of appropriations from the prior year's budget as well as additional appropriations approved by the Board during the year. As shown in Table 4, \$2.5 million was expended during the year, resulting in a favorable expenditure variance of approximately \$3.2 million. The \$9.5 million in transfers out represents \$8.2 million transferred to debt service funds to cover principal and interest payments on outstanding bonds as well as \$1.3 million in transfers to the RDA capital projects fund.

**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, 2007 and 2006.

<b>Table 5 Redevelopment Agency of the City of Santa Barbara Summary of Capital Assets As of June 30, 2007 and 2006</b>		
	2007	2006
Land	\$ 39,305,641	\$ 39,305,641
Equipment	163,668	176,761
Buildings	25,303,688	25,962,204
Building Improvements	680,553	-
Infrastructure	2,121,452	2,269,523
Improvements other than buildings	9,993,576	10,614,394
Construction in progress	5,669,066	1,631,397
Total	\$ 83,237,644	\$ 79,959,920

Total capital assets (net of \$17.6 million in accumulated depreciation) at June 30, 2007, were \$83.2 million, an increase of approximately \$3.3 million from prior year. As shown in Note 4 to the financial statements, the increase was the net of \$5.2 million in capital asset additions and \$1.9 million of depreciation expense during the year. As shown in Table 5, construction in progress increased by \$4 million from the prior year. This increase is due to several capital projects that are in progress, including \$3.2 million for State Street sidewalks.

**Long-term Debt**

As of June 30, 2007, the Agency had \$74.1 million in outstanding tax allocation bonds and \$750,000 in State Housing loans outstanding. The Agency issues tax allocation bonds to provide funds for the redevelopment activities of the RDA. No new debt was issued this fiscal year and the Agency made principal payments totaling \$5.4 million. The Agency's outstanding debt is currently rated AAA by Moody's Investors Service and by Standard & Poor's Rating Services.

**Redevelopment Agency of the City of Santa Barbara  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007**

---

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The primary economic factor affecting the Redevelopment Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The strong real estate market from 2000 through 2005 resulted in continued and substantial growth in revenues and, thus, allowed for the funding of important projects and activities during that period. The local real estate market has cooled considerably this year and homes sales have dropped to a ten year low. Despite this cooling of the market, and the decrease in the median housing prices, we may not necessarily see a drop in the property tax base or a reduction in property tax revenues. Because of Proposition 13 that was enacted in the 1970s, increases in assessed property values are limited significantly until a property is sold or major improvements result in a reassessment. Therefore, even though prices are declining, the effect on property taxes is uncertain. We could see an increase in the tax base and revenues if homes that have not changed ownership in several years are sold and reassessed at the higher property tax value. Accordingly, the Agency budgeted a modest 3.6% growth in tax increment revenues for fiscal year 2008, bringing the budgeted total to \$17.3 million.

**REQUESTS FOR INFORMATION**

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

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



**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 19,963,830
Accrued interest receivable	206,802
Loans receivable	37,960,315
Deferred charge -issuance costs, net	1,645,649
Deferred charge - discount, net	324,460
Restricted assets:	
Cash and investments with fiscal agents	34,124,709
Capital assets not being depreciated:	
Land	39,305,641
Construction in progress	5,669,066
Capital assets (net of accumulated depreciation):	
Buildings	25,303,688
Building improvements	680,553
Improvements other than buildings	9,993,576
Equipment	163,668
Infrastructure	2,121,452
Total capital assets	<u>83,237,644</u>
Total assets	<u><u>177,463,409</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	1,053,398
Accrued interest payable	1,035,788
Deposits	168,108
Total current liabilities	<u>2,257,294</u>
Noncurrent liabilities	
Unamortized debt premium	946,115
Bonds payable:	
Due within one year	4,845,000
Due in more than one year	70,015,000
Total noncurrent liabilities	<u>75,806,115</u>
Total liabilities	<u><u>78,063,409</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	42,012,677
Restricted for:	
Capital projects	5,058,016
Low and moderate income programs	37,970,888
Debt service	698,627
Unrestricted	13,659,792
Total net assets	<u><u>\$ 99,400,000</u></u>

See accompanying notes to the basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenue (Expense) and Changes in Net Assets</u>
Governmental activities:			
General government	\$ 2,514,394	\$ -	\$ (2,514,394)
Housing	1,151,409	193,472	(957,937)
Redevelopment capital	6,613,401	-	(6,613,401)
Debt service:			
Interest	<u>3,579,062</u>	<u>-</u>	<u>(3,579,062)</u>
Total governmental activities	<u>\$ 13,858,266</u>	<u>\$ 193,472</u>	<u>(13,664,794)</u>
General revenues:			
Property taxes			16,731,501
Investment earnings			2,136,623
Other revenue			<u>26,069</u>
Total general revenues			<u>18,894,193</u>
Change in net assets			5,229,399
Net assets, beginning of year			<u>94,170,601</u>
Net assets, end of year			<u>\$ 99,400,000</u>

See accompanying notes to the basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

<u>Assets</u>	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
Cash and investments	\$ 8,118,140	\$ 6,787,674	\$ 5,058,016	\$ -	\$ 19,963,830
Accrued interest receivable	126,555	80,247	-	-	206,802
Loans receivable	-	37,424,524	535,791	-	37,960,315
Restricted assets:					
Cash and investments with fiscal agent	-	541,049	32,885,033	698,627	34,124,709
Total assets	<u>\$ 8,244,695</u>	<u>\$ 44,833,494</u>	<u>\$ 38,478,840</u>	<u>\$ 698,627</u>	<u>\$ 92,255,656</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 189,598	\$ 3,374	\$ 860,426	\$ -	\$ 1,053,398
Deposits	168,108	-	-	-	168,108
Interest payable	-	175,370	-	-	175,370
Total liabilities	<u>357,706</u>	<u>178,744</u>	<u>860,426</u>	<u>-</u>	<u>1,396,876</u>
<b>Fund Balances:</b>					
Reserved for:					
Encumbrances	337,132	3,862	1,309,008	-	1,650,002
Non-current assets	-	37,424,524	-	-	37,424,524
Debt service	-	-	-	698,627	698,627
Redevelopment activities	7,549,857	-	36,309,406	-	43,859,263
Low and moderate income housing	-	7,226,364	-	-	7,226,364
Total fund balances	<u>7,886,989</u>	<u>44,654,750</u>	<u>37,618,414</u>	<u>698,627</u>	<u>90,858,780</u>
Total liabilities and fund balances	<u>\$ 8,244,695</u>	<u>\$ 44,833,494</u>	<u>\$ 38,478,840</u>	<u>\$ 698,627</u>	<u>\$ 92,255,656</u>

See accompanying notes to the basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS  
For the Fiscal Year Ended June 30, 2007**

Total governmental fund balances (page 14)	\$ 90,858,780
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.	83,237,644
Costs incurred to refund bonds are an expenditure in the governmental fund but they must be reported as deferred issuance costs in the government-wide financial statements.	246,817
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.	(19,084)
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(74,860,000)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred.	(860,418)
Government funds debt costs such as issuance costs, discounts, and losses on advance refunding are reported as an expenditure when those costs are first incurred because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge in the government-wide financial statements.	654,558
Governmental funds premium received on the issuance of debt is recorded as revenue when received because the premium provides current financial resources. However, the premiums are amortized over the life of the bond issue in the government-wide financial statements.	141,703
Net assets of governmental activities (page 12)	\$ 99,400,000

See accompanying notes to the basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**Fiscal Year ended June 30, 2007**

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
<b>Revenues:</b>					
Incremental property taxes	\$ 13,464,610	\$ 3,366,153	\$ -	\$ -	\$ 16,830,763
Use of money and property	827,022	540,940	928,562	33,571	2,330,095
Other revenues	50	5,119	20,900	-	26,069
Total revenues	<u>14,291,682</u>	<u>3,912,212</u>	<u>949,462</u>	<u>33,571</u>	<u>19,186,927</u>
<b>Expenditures:</b>					
Current:					
Supplies and services	1,549,932	721,409	-	-	2,271,341
Projects	954,016	-	10,321,125	-	11,275,141
Other expenditures	10,446	-	-	-	10,446
Debt service:					
Principal	-	430,000	2,205,000	2,715,000	5,350,000
Interest	-	243,140	2,955,084	358,800	3,557,024
Total expenditures	<u>2,514,394</u>	<u>1,394,549</u>	<u>15,481,209</u>	<u>3,073,800</u>	<u>22,463,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,777,288</u>	<u>2,517,663</u>	<u>(14,531,747)</u>	<u>(3,040,229)</u>	<u>(3,277,025)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	2,000,000	7,528,503	3,042,470	12,570,973
Transfers out	<u>(9,548,173)</u>	<u>-</u>	<u>(3,022,800)</u>	<u>-</u>	<u>(12,570,973)</u>
Total other financing sources (uses)	<u>(9,548,173)</u>	<u>2,000,000</u>	<u>4,505,703</u>	<u>3,042,470</u>	<u>-</u>
Net change in fund balances	2,229,115	4,517,663	(10,026,044)	2,241	(3,277,025)
Fund balances, beginning of fiscal year	<u>5,657,874</u>	<u>40,137,087</u>	<u>47,644,458</u>	<u>696,386</u>	<u>94,135,805</u>
Fund balances, end of fiscal year	<u>\$ 7,886,989</u>	<u>\$ 44,654,750</u>	<u>\$ 37,618,414</u>	<u>\$ 698,627</u>	<u>\$ 90,858,780</u>

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, 2007**

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)		\$ (3,277,025)
<p>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.</p>		
Expenditures for general capital assets, infrastructure, and other related capital	\$ 5,226,393	
Less current year depreciation	<u>(1,948,669)</u>	3,277,724
<p>Deferred charges on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.</p>		
		(19,084)
<p>Repayment and refunding of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		5,350,000
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		(60,057)
<p>Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are accrued and reported in the period when the liability exists in the statement of activities.</p>		
		57,103
Net change in net assets of governmental activities (page 13)		<u><u>\$ 5,229,399</u></u>

See accompanying notes to the basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

---

***NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

***A. Reporting Entity***

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

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

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

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

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

***B. Government-wide and Fund Financial Statements***

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

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

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

***Government-wide financial statements***

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

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

---

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

***Fund Financial Statements***

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

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

The Agency reports the following major governmental funds:

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

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

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

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

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

***D. Investments***

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

***E. Incremental Property Tax***

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

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

---

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

***F. Properties Held for Resale***

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

***G. Self-Insurance***

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

***H. Low and Moderate Income Housing***

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

***I. Capital Assets***

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

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

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

***J. Use of Estimates***

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

***K. Net Assets***

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

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

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

---

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

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

**NOTE 2. DEPOSITS AND INVESTMENTS**

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 19,963,830
Cash and investments with fiscal agents	<u>34,124,709</u>
Total cash and investments	<u>\$ 54,088,539</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 75
Deposits with financial institutions	3,471,261
Investments	<u>50,617,203</u>
Total cash and investments	<u>\$ 54,088,539</u>

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

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

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

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

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

---

***Investments Authorized by Debt Agreements***

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

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

***Disclosures Relating to Interest Rate Risk***

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

Portfolio diversification is also employed as a way to control risk, including those associated with market changes or issuer default. To control market price risks, volatile investments are avoided, and to control risks of illiquidity, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days. Non-marketable instruments with maturities beyond one year and a liquidity factor of greater than 5 (out of 8) shall not exceed 30% of the portfolio.

<u>Investment Type</u>	<u>Weighted Avg. Maturity (in years)</u>
State Local Agency Investment Held by bond trustee:	N/A
Money market funds	1,243,542
Investment contracts	N/A
	<u>32,881,168</u>
Total	<u>\$50,617,203</u>

***Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations***

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

***Disclosures Relating to Credit Risk***

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

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

<u>Investment Type</u>		Minimum Legal Rating	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Unrated</u>
LAIF	\$16,492,493	N/A	\$ -	\$ 16,492,493
Held by fiscal agents:				
Money market funds	1,243,542	A	1,243,542	-
Investment contracts	<u>32,881,168</u>	N/A	<u>-</u>	<u>32,881,168</u>
Total	<u>\$50,617,203</u>		<u>\$1,243,542</u>	<u>\$ 49,373,661</u>

***Concentration of Credit Risk***

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

***Custodial Credit Risk***

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: None of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2007, 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. PROPERTIES HELD FOR RESALE**

A summary of changes in properties held for resale follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Properties held for resale	<u>\$ 433,952</u>	<u>\$ -</u>	<u>\$433,952</u>	<u>\$ -</u>

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

	Beginning Balance June 30, 2006	Increases	Decreases	Ending Balance June 30, 2007
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 39,305,641	\$ -	\$ -	\$ 39,305,641
Construction in progress	1,631,397	4,965,409	927,740	5,669,066
Total capital assets, not being depreciated	<u>40,937,038</u>	<u>4,965,409</u>	<u>927,740</u>	<u>44,974,707</u>
Capital assets being depreciated:				
Buildings	26,340,652	-	-	26,340,652
Building Improvements	-	689,168	-	689,168
Improvements other than buildings	25,168,062	499,556	-	25,667,618
Equipment	196,401	-	-	196,401
Infrastructure	2,961,407	-	-	2,961,407
Total capital assets being depreciated	<u>54,666,522</u>	<u>1,188,724</u>	<u>-</u>	<u>55,855,246</u>
Less accumulated depreciation for:				
Buildings	(378,448)	(658,516)	-	(1,036,964)
Building Improvements	-	(8,615)	-	(8,615)
Improvements other than buildings	(14,553,668)	(1,120,374)	-	(15,674,042)
Equipment	(19,640)	(13,093)	-	(32,733)
Infrastructure	(691,884)	(148,071)	-	(839,955)
Total accumulated depreciation	<u>(15,643,640)</u>	<u>(1,948,669)</u>	<u>-</u>	<u>(17,592,309)</u>
Total capital assets, being depreciated, net	<u>39,022,882</u>	<u>(759,945)</u>	<u>-</u>	<u>38,262,937</u>
Governmental activities capital assets, net	<u>\$ 79,959,920</u>	<u>\$ 4,205,464</u>	<u>\$ 927,740</u>	<u>\$ 83,237,644</u>

Depreciation expense of \$1,948,669 was charged to the General Governmental Function of the Agency.

The Agency has active construction projects as of June 30, 2007. At year-end the Agency's commitments with contractors were as follows:

<u>Project</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Plaza Vera Cruz	\$ 63,275	\$ 14,557
State Street Sidewalks	3,408,763	335,023
Mission Creek Flood Control Channel	17,156	16,902
Fire Station #1 Remodel	546,906	33,900
Cabrillo Blvd Sidewalks-Wharf/Milpas	45,413	43,550
Chapala St. Improvements	839,265	156,325
West Beach Pedestrian Improvements	189,762	160,577
Plaza De La Guerra Infrastructure	76,004	76,960
West Downtown Improvements	206,345	153,115
Historic Railroad Car	6,345	641
Carrillo Rec Center Restoration	69,832	210,668
Teen Center Renovation	200,000	-
Total	<u>\$ 5,669,066</u>	<u>\$ 1,202,218</u>

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**NOTE 5. INTERFUND TRANSFERS**

<u>Transfer Out:</u>	<u>Transfer In:</u>			Total
	<u>Agency Special Revenue</u>	<u>Agency Capital Projects</u>	<u>Agency Debt Service Fund</u>	
Agency General Fund	\$ 2,000,000	\$ 4,505,703	\$ 3,042,470	\$ 9,548,173
Agency Capital Projects	-	3,022,800	-	3,022,800
Total Transfers	<u>\$ 2,000,000</u>	<u>\$ 7,528,503</u>	<u>\$ 3,042,470</u>	<u>\$ 12,570,973</u>

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

**NOTE 6. LOANS RECEIVABLE**

Loans receivable in the governmental funds, totaling \$37,960,315 at June 30, 2007, 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 7. LONG-TERM DEBT**

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

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

	<u>Interest Rate %</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding Balance June 30, 2007</u>
Tax allocation bonds:					
1995 Senior Series A	3.650 - 6.00%	12/01/95	03/01/08	\$ 28,170,000	\$ 3,265,000
2001 Series A	4.125 - 5.00%	07/25/01	03/01/19	38,855,000	38,305,000
2003 Series A	4.000 - 5.00%	12/18/03	03/01/19	34,810,000	26,290,000
2004 Series A	2.000 - 5.00%	07/01/04	07/01/19	7,150,000	6,250,000
CHFA Loan	3.00%	10/19/99	10/19/09	750,000	750,000
Total				<u>\$ 109,735,000</u>	<u>\$ 74,860,000</u>

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Balance 07/01/06	Additions	Retirements	Balance 06/30/07	Due Within One Year	Due in More Than One Year
Tax allocation bonds:						
1995 Senior Series A	\$ 5,300,000	\$ -	\$ 2,035,000	\$ 3,265,000	\$ 3,265,000	\$ -
1995 Subordinate Series B	680,000	-	680,000	-	-	-
2001 Series A	38,305,000	-	-	38,305,000	-	38,305,000
2003 Series A	28,495,000	-	2,205,000	26,290,000	1,140,000	25,150,000
2004 Series A	6,680,000	-	430,000	6,250,000	440,000	5,810,000
CHFA Loan	750,000	-	-	750,000	-	750,000
<b>Total</b>	<b>\$80,210,000</b>	<b>\$ -</b>	<b>\$ 5,350,000</b>	<b>\$74,860,000</b>	<b>\$ 4,845,000</b>	<b>\$70,015,000</b>

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

Fiscal Year Ending	Principal Payments					Total
	1995 Senior Series A	2001 Tax Allocation	2003 Tax Allocation	2004 Tax Allocation	CHFA Loan	
2008	\$ 3,265,000	\$ -	\$ 1,140,000	\$ 440,000	\$ -	\$ 4,845,000
2009	-	2,785,000	1,860,000	455,000	-	5,100,000
2010	-	2,895,000	1,920,000	470,000	750,000	6,035,000
2011	-	3,015,000	1,975,000	480,000	-	5,470,000
2012	-	3,140,000	2,075,000	490,000	-	5,705,000
2013 - 2017	-	17,995,000	11,785,000	2,700,000	-	32,480,000
2018 - 2019	-	8,475,000	5,535,000	1,215,000	-	15,225,000
Principal payments outstanding	3,265,000	38,305,000	26,290,000	6,250,000	750,000	74,860,000
Fiscal Year Ending	Interest Payments					Total
2008	195,900	1,764,854	1,146,130	195,075	-	3,301,959
2009	-	1,764,854	1,106,230	181,650	-	3,052,734
2010	-	1,649,973	1,050,430	168,950	220,370	3,089,723
2011	-	1,530,554	1,050,430	156,595	-	2,737,579
2012	-	1,406,185	894,080	146,731	-	2,446,996
2013 - 2017	-	4,774,615	3,007,725	464,940	-	8,247,280
2018 - 2019	-	640,750	378,810	45,883	-	1,065,443
Interest payments outstanding	195,900	13,531,785	8,633,835	1,359,824	220,370	23,941,714
Net Debt Service Obligation	\$ 3,460,900	\$ 51,836,785	\$ 34,923,835	\$ 7,609,824	\$ 970,370	\$ 98,801,714

**Prior Year's Defeasance of Debt**

In prior years, the City defeased certain debt issues by placing the proceeds of new debt in irrevocable trusts to provide for all future debt service payments on the defeased debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

---

The Agency has complied with all significant bond covenants.

***NOTE 8. 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 9. 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, 2007, the Refunding Certificates of Participation have an outstanding balance of \$16,665,000.

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2007**

---

**Notes to the Required Supplementary Information**

**BUDGETARY INFORMATION**

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

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

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Housing Fund. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they represent financial obligations for goods and services received through June 30, 2007, 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, 2007**

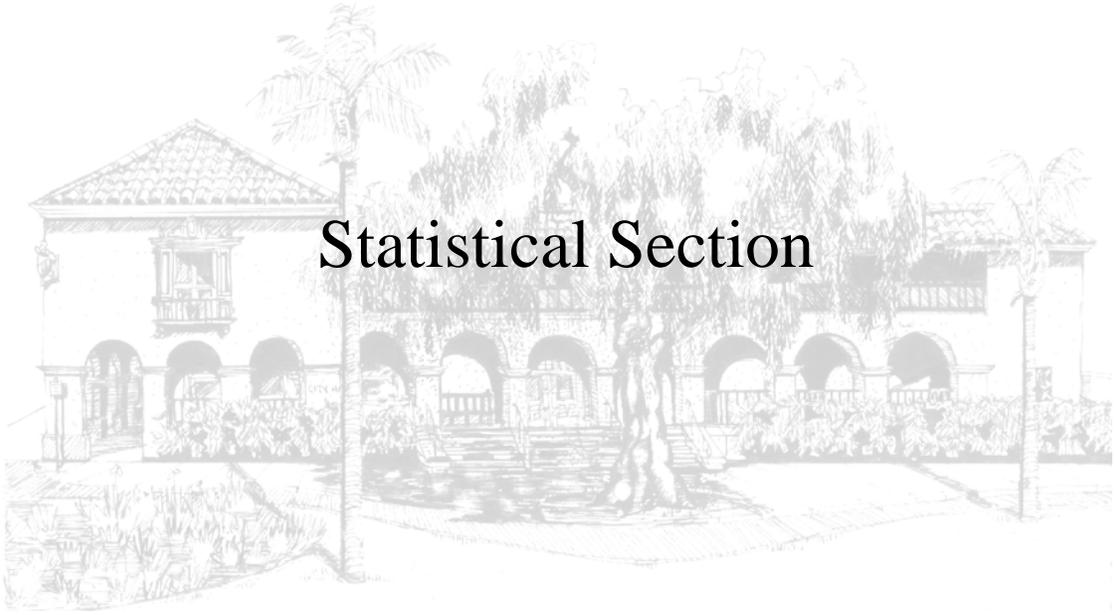
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (GAAP)**  
**For the Year Ended June 30, 2007**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
Incremental property tax	\$ 12,320,000	\$ 12,320,000	\$ 13,464,610	\$ 1,144,610
Use of money and property	223,000	223,000	827,022	604,022
Other Revenue	-	-	50	50
Total Revenues	<u>12,543,000</u>	<u>12,543,000</u>	<u>14,291,682</u>	<u>1,748,682</u>
<b>EXPENDITURES</b>				
Current:				
Supplies and services	1,638,787	1,638,897	1,549,932	88,965
Projects	2,592,713	4,001,649	954,016	3,047,633
Other expenditures	61,500	80,713	10,446	70,267
Total Expenditures	<u>4,293,000</u>	<u>5,721,259</u>	<u>2,514,394</u>	<u>3,206,865</u>
Excess of revenues over expenditures	8,250,000	6,821,741	11,777,288	4,955,547
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(8,250,000)</u>	<u>(9,595,976)</u>	<u>(9,548,173)</u>	<u>47,803</u>
Total other financing sources (uses)	<u>(8,250,000)</u>	<u>(9,595,976)</u>	<u>(9,548,173)</u>	<u>47,803</u>
<b>Net change in fund balance</b>	-	(2,774,235)	2,229,115	5,003,350
<b>Fund balance, beginning of fiscal year</b>	<u>-</u>	<u>5,657,874</u>	<u>5,657,874</u>	<u>-</u>
<b>Fund balance, end of fiscal year</b>	<u>\$ -</u>	<u>\$ 2,883,639</u>	<u>\$ 7,886,989</u>	<u>\$ 5,003,350</u>

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2007**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (GAAP)**  
**For the Year Ended June 30, 2007**

	Special Revenue Housing Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
Incremental property tax	\$ 3,080,000	\$ 3,080,000	\$ 3,366,153	\$ 286,153
Use of money and property	435,000	435,000	540,940	105,940
Other Revenue	-	-	5,119	5,119
Total Revenues	<u>3,515,000</u>	<u>3,515,000</u>	<u>3,912,212</u>	<u>397,212</u>
<b>EXPENDITURES</b>				
Current:				
Supplies and services	766,152	822,570	721,409	101,161
Projects	107,288	5,018,051	-	5,018,051
Other expenditures	50,000	7,421	-	7,421
Debt Service:				
Principal	430,000	430,000	430,000	-
Interest	208,125	208,125	243,140	(35,015)
Total Expenditures	<u>1,561,565</u>	<u>6,486,167</u>	<u>1,394,549</u>	<u>5,091,618</u>
<b>Net change in fund balance</b>	1,953,435	(971,167)	4,517,663	5,488,830
<b>Fund balance, beginning of fiscal year</b>	<u>-</u>	<u>40,137,087</u>	<u>40,137,087</u>	<u>-</u>
<b>Fund balance, end of fiscal year</b>	<u>\$ 1,953,435</u>	<u>\$ 39,165,920</u>	<u>\$ 44,654,750</u>	<u>\$ 5,488,830</u>



## 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.

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

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

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

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

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

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

**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)**

<u>Fiscal Year</u>	<u>Property Tax</u>
1998	\$8,040
1999	9,235
2000	9,624
2001	11,183
2002	11,853
2003	12,774
2004	12,862
2005	13,858
2006	15,179
2007	16,731

**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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund Reserved	\$ 3,540	\$ 3,848	\$ 3,359	\$ 4,498	\$ 5,332	\$ 3,956	\$ 3,716	\$ 3,132	\$ 5,658	\$ 7,887
All other governmental funds Reserved	32,976	32,301	36,635	35,337	73,583	77,039	105,987	106,464	88,478	82,972
Total Fund Balance	<u>\$36,516</u>	<u>\$36,149</u>	<u>\$39,994</u>	<u>\$39,835</u>	<u>\$78,915</u>	<u>\$80,995</u>	<u>\$109,703</u>	<u>\$109,596</u>	<u>\$94,136</u>	<u>\$90,859</u>

**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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Incremental property taxes	\$8,040	\$9,235	\$9,624	\$11,183	\$11,853	\$12,851	\$12,945	\$13,946	\$15,273	\$16,831
Use of money and property	1,757	1,274	1,406	1,991	2,570	2,460	2,408	2,354	2,618	2,330
Other revenues	-	1,491	1,412	17	4	11	2	120	2,056	26
<b>Total revenues</b>	<b>9,797</b>	<b>12,000</b>	<b>12,442</b>	<b>13,191</b>	<b>14,427</b>	<b>15,322</b>	<b>15,355</b>	<b>16,420</b>	<b>19,947</b>	<b>19,187</b>
<b>Expenditures</b>										
Supplies and services	839	880	889	929	1,366	1,474	1,627	1,820	2,066	2,271
Projects	4,769	6,004	2,213	6,938	4,589	4,508	4,120	13,206	25,120	11,275
Other expenditures	29	22	28	16	75	36	38	19	14	11
<b>Debt service</b>										
Principal	3,085	3,225	3,410	3,600	4,345	3,985	5,210	4,535	5,190	5,350
Interest	2,374	2,236	2,058	1,868	2,777	3,239	3,109	3,792	3,767	3,557
Other charges	-	-	-	-	-	-	941	305	-	-
<b>Total expenditures</b>	<b>11,096</b>	<b>12,367</b>	<b>8,598</b>	<b>13,351</b>	<b>13,152</b>	<b>13,242</b>	<b>15,045</b>	<b>23,677</b>	<b>36,157</b>	<b>22,464</b>
Excess of revenues over (under) expenditures	(1,299)	(367)	3,844	(160)	1,275	2,080	310	(7,257)	(16,210)	(3,277)
<b>Other financing sources (uses)</b>										
Transfers in	5,893	6,230	7,398	7,486	14,420	8,315	9,502	9,015	8,213	12,571
Transfers out	(5,893)	(6,230)	(7,398)	(7,486)	(14,424)	(8,315)	(9,502)	(9,015)	(8,213)	(12,571)
Proceeds from bond issuance	-	-	-	-	37,810	-	28,398	7,150	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,806</b>	<b>-</b>	<b>28,398</b>	<b>7,150</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(\$1,299)</b>	<b>(\$367)</b>	<b>\$3,844</b>	<b>(\$160)</b>	<b>\$39,081</b>	<b>\$2,080</b>	<b>\$28,708</b>	<b>(\$107)</b>	<b>(\$16,210)</b>	<b>(\$3,277)</b>
Debt service as a percentage of noncapital expenditures	86.3%	85.8%	85.6%	85.3%	83.2%	82.7%	83.3%	81.9%	81.2%	79.6%

**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)**

	<b>Fiscal Year</b>									
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Incremental property taxes	\$8,040	\$9,235	\$9,624	\$11,183	\$11,853	\$12,851	\$12,945	\$13,946	\$15,273	\$16,831

**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)**

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
<b>1998</b>	\$740,216	\$162,486	(\$37,913)	\$864,789	1.00%
<b>1999</b>	828,526	181,872	(42,437)	967,961	1.00%
<b>2000</b>	863,742	189,602	(44,240)	1,009,104	1.00%
<b>2001</b>	1,022,931	215,719	(52,137)	1,186,513	1.00%
<b>2002</b>	1,094,347	227,297	(54,310)	1,267,334	1.00%
<b>2003</b>	1,164,940	237,653	(55,639)	1,346,954	1.00%
<b>2004</b>	1,218,914	248,409	(77,833)	1,389,490	1.00%
<b>2005</b>	1,303,295	250,008	(82,652)	1,470,651	1.00%
<b>2006</b>	1,415,448	256,338	(93,142)	1,578,644	1.00%
<b>2007</b>	1,532,199	288,274	(99,693)	1,720,780	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**

<b>Fiscal Year</b>	<b><u>Direct Rates</u></b>	<b><u>Overlapping Rates</u></b>		<b><u>Total</u></b>
	<b><u>General</u></b>	<b><u>City Bonds</u></b>	<b><u>Schools Bonds</u></b>	
<b>1998</b>	\$1.000	-	\$0.011	\$1.011
<b>1999</b>	1.000	-	0.022	1.022
<b>2000</b>	1.000	-	0.019	1.019
<b>2001</b>	1.000	-	0.027	1.027
<b>2002</b>	1.000	-	0.028	1.028
<b>2003</b>	1.000	-	0.027	1.027
<b>2004</b>	1.000	-	0.025	1.025
<b>2005</b>	1.000	-	0.021	1.021
<b>2006</b>	1.000	-	0.026	1.026
<b>2007</b>	1.000	-	0.026	1.026

Sources: Santa Barbara County Auditor-Controller

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

<b>Taxpayer</b>	<b>Fiscal Year 2007</b>		<b>Fiscal Year 1998</b>	
	<b>Taxable Net Assessed Value</b>	<b>Percentage of Total Taxable Net Assessed Value</b>	<b>Taxable Net Assessed Value</b>	<b>Percentage of Total Taxable Net Assessed Value</b>
Paseo Nuevo Association <sup>(1)</sup>	\$88,987	5.17%	\$51,569	5.96%
Parker Fess Doubletree Hotel	76,330	4.44%	61,699	7.13%
Due West, LLC	27,871	1.62%	-	0.00%
ESJ Centers	25,860	1.50%	22,127	2.56%
Ralphs Grocery Co	24,457	1.42%	-	0.00%
Ampersand Publishing, LLC	15,654	0.91%	-	0.00%
1129 State Street	14,605	0.85%	12,410	1.44%
State Street Properties	12,279	0.71%	-	0.00%
BDC Paseo Chapala, LLC	11,301	0.66%	-	0.00%
Romasanta Fam Liv Tr	10,698	0.62%	-	0.00%
SIMA El Paseo LP	10,648	0.62%	-	0.00%
Heiner Gerald A Trustee	10,358	0.60%	9,962	1.15%
New York Times Company	-	0.00%	13,462	1.56%
Union Pacific Railroad Company	-	0.00%	13,408	1.55%
Old Town Mall	-	0.00%	12,454	1.44%
El Paseo of Santa Barbara	-	0.00%	10,623	1.23%
	<u>\$522,973</u>	<u>30.39%</u>	<u>\$240,311</u>	<u>27.79%</u>

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

Sources: Santa Barbara County Auditor-Controller

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
<b>1998</b>	\$8,040	\$8,040	100%	\$ -	\$8,040	100%
<b>1999</b>	9,235	9,235	100%	-	9,235	100%
<b>2000</b>	9,624	9,624	100%	-	9,624	100%
<b>2001</b>	11,183	11,183	100%	-	11,183	100%
<b>2002</b>	11,853	11,853	100%	-	11,853	100%
<b>2003</b>	12,774	12,774	100%	-	12,774	100%
<b>2004</b>	12,862	12,862	100%	-	12,862	100%
<b>2005</b>	13,858	13,858	100%	-	13,858	100%
<b>2006</b>	15,179	15,179	100%	-	15,179	100%
<b>2007</b>	16,731	16,731	100%	-	16,731	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)**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Total</b>	<b>Percentage of Personal Income<sup>1</sup></b>	<b>Per Capita<sup>1</sup></b>
	<b>Tax Allocation Bonds</b>	<b>Loans</b>			
<b>1998</b>	\$39,385	\$ -	\$39,385	0.38%	\$435
<b>1999</b>	36,160	-	36,160	0.32%	397
<b>2000</b>	32,750	-	32,750	0.28%	356
<b>2001</b>	29,150	-	29,150	0.23%	319
<b>2002</b>	63,660	-	63,660	0.49%	702
<b>2003</b>	59,675	-	59,675	0.46%	660
<b>2004</b>	82,035	-	82,035	0.60%	906
<b>2005</b>	84,650	750	85,400	0.55%	943
<b>2006</b>	79,460	750	80,210	0.49%	896
<b>2007</b>	74,110	750	74,860	0.44%	837

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

<sup>1</sup> 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)**

<b>Fiscal Year</b>	<b>Tax Allocation Bonds</b>	<b>Loans</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value<sup>1</sup> of Property</b>	<b>Per Capita<sup>2</sup></b>
<b>1998</b>	\$ 39,385	\$ -	\$ 4,898	\$ 34,487	3.99%	\$ 381
<b>1999</b>	36,160	-	4,892	31,268	3.23%	344
<b>2000</b>	32,750	-	4,872	27,878	2.76%	303
<b>2001</b>	29,150	-	4,917	24,233	2.04%	265
<b>2002</b>	63,660	-	4,812	58,848	4.64%	649
<b>2003</b>	59,675	-	4,767	54,908	4.08%	607
<b>2004</b>	82,035	-	687	81,348	5.85%	898
<b>2005</b>	84,650	750	690	84,710	5.76%	936
<b>2006</b>	79,460	750	696	79,514	5.04%	888
<b>2007</b>	74,110	750	699	74,161	4.31%	829

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

<sup>1</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 40 for property value data.

<sup>2</sup> 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, 2007  
(amounts expressed in thousands)**

**2006-07 Redevelopment Agency Incremental Valuation** \$1,820,473

	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>1</sup></b>	<b>Estimated Share of Overlapping Debt</b>
<b><u>Overlapping Debt Repaid with Property Taxes</u></b>			
Santa Barbara School Districts	\$91,860	13%	\$12,150
Total overlapping debt repaid with property taxes	\$91,860		\$12,150
<b><u>Direct and Overlapping General Obligation Debt</u></b>			
Santa Barbara County General Fund Obligations	\$63,465	3%	\$2,119
City of Santa Barbara Certificates of Participation	4,650	13%	615
Total direct and overlapping general obligation debt	\$68,115		\$2,734
Total direct and overlapping debt			\$14,885
<b><u>Ratio to 2006-07 Redevelopment Incremental Valuation</u></b>			
Total direct and overlapping debt			0.82%

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.

<sup>1</sup> 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 \$13,763; County is \$54,521. 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assessed valuation	\$ 902,702	\$ 1,010,398	\$ 1,053,344	\$ 1,238,650	\$ 1,321,644	\$ 1,402,593	\$ 1,467,323	\$ 1,553,303	\$ 1,671,786	\$ 1,820,473
Coverage percentage	<u>25%</u>									
Adjusted assessed valuation	225,676	252,600	263,336	309,663	330,411	350,648	366,831	388,326	417,947	455,118
Debt limit percentage	<u>15%</u>									
Debt limit	33,851	37,890	39,500	46,449	49,562	52,597	55,025	58,249	62,692	68,268
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 33,851</u>	<u>\$ 37,890</u>	<u>\$ 39,500</u>	<u>\$ 46,449</u>	<u>\$ 49,562</u>	<u>\$ 52,597</u>	<u>\$ 55,025</u>	<u>\$ 58,249</u>	<u>\$ 62,692</u>	<u>\$ 68,268</u>
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)**

<b>Fiscal Year</b>	<b>Tax Allocation Bonds</b>			
	<b>Tax Increment</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
<b>1998</b>	\$8,040	\$3,085	\$2,374	1.47
<b>1999</b>	9,235	3,225	2,235	1.69
<b>2000</b>	9,624	3,410	2,058	1.76
<b>2001</b>	11,183	3,600	1,868	2.05
<b>2002</b>	11,853	4,345	2,739	1.67
<b>2003</b>	12,851	3,985	3,239	1.78
<b>2004</b>	12,945	5,210	3,075	1.56
<b>2005</b>	13,946	4,535	3,701	1.69
<b>2006</b>	15,273	5,190	3,511	1.76
<b>2007</b>	16,831	5,350	3,557	1.89

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 Four Fiscal Years**

<u>Fiscal Year</u>	<u>City Population <sup>(1)</sup></u>	<u>Personal Income (in millions) <sup>(2)</sup></u>	<u>Per Capita Personal Income <sup>(2)</sup></u>	<u>June 30 Unemployment Rate <sup>(3)</sup></u>
<b>1998</b>	90,500	\$10,377	\$26,520	3.8%
<b>1999</b>	91,000	11,301	28,629	3.4%
<b>2000</b>	92,100	11,890	29,957	4.2%
<b>2001</b>	91,429	12,911	32,297	3.9%
<b>2002</b>	90,696	13,107	32,693	4.9%
<b>2003</b>	90,464	13,059	32,496	5.0%
<b>2004</b>	90,569	13,677	33,942	4.6%
<b>2005</b>	90,518	15,389	38,313	4.1%
<b>2006</b>	89,548	16,231	40,486	4.0%
<b>2007</b>	89,456	16,968	42,385	4.2%

Notes:

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

Sources:

(1) California Department of Finance, Demographic Research Unit

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

(3) California Employment Development Department

**Redevelopment Agency of the City of Santa Barbara  
Principal Employers  
Current Year and Nine Years Ago**

<b>Employer <sup>(1)</sup></b>	<b>Fiscal Year 2007</b>		<b>Fiscal Year 1998</b>	
	<b>Number of Employees <sup>(2)</sup></b>	<b>Percentage of Total City Employment <sup>(3)</sup></b>	<b>Number of Employees <sup>(2)</sup></b>	<b>Percentage of Total City Employment <sup>(3)</sup></b>
University of California, Santa Barbara	9,501	17.53%	8,660	17.39%
County of Santa Barbara	4,214	7.77%	4,285	8.60%
Santa Barbara Cottage Hospital	2,518	4.65%	1,712	3.44%
Santa Barbara City Community College	2,360	4.35%	1,675	3.36%
Raytheon/ E-Systems	1,633	3.01%	783	1.57%
Santa Barbara School District Admin.	2,968	5.48%	920	1.85%
Sansum-Santa Barbara Medical Foundation Clinic	1,100	2.03%	N/A	N/A
City of Santa Barbara	1,069	1.97%	948	1.90%
U. S. Postal Service	833	1.54%	1,083	2.17%
Santa Barbara Bank & Trust	900	1.66%	735	1.48%
	<u>27,096</u>	<u>49.99%</u>	<u>20,801</u>	<u>41.77%</u>

Notes:

- (1) Information is for the City of Santa Barbara. Information on employers located only in the redevelopment project area is not available.  
(2) Data is for the month of June.

Sources:

- (2) Santa Barbara Chamber of Commerce  
(3) California Employment Development Department

**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 Two Fiscal Years**

<u>Function</u>	<u>Fiscal Year 2006</u>		<u>Fiscal Year 2007</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
General government				
Number and amount of grants issued to local nonprofit agencies	4	\$ 381,072	9	\$ 971,104
Housing				
Number and amount of loans or grants issued to nonprofit housing developers for construction of low income rental units	3	\$4,176,703	3	\$4,822,408
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

Source: Redevelopment Agency of the City of Santa Barbara

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

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

Source: Redevelopment Agency of the City of Santa Barbara





# Compliance and Internal Control Section



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

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

We have audited the basic financial statements of the Redevelopment Agency of the City of Santa Barbara (Agency), a component unit of the City of Santa Barbara, California (City) as of and for the year ended June 30, 2007 and have issued our report thereon dated November 12, 2007. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

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

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

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to City Council and management in a separate letter dated November 12, 2007.

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

*Capricci & Carson*

Irvine, California  
November 12, 2007



# Annual Program Report/ Work Program

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

**INTRODUCTION**

This report, covering Fiscal Year ending June 30, 2007, 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 2007.

**CENTRAL CITY REDEVELOPMENT PROJECT AREA**

**CARRILLO-CHAPALA MIXED USE PROJECT (2003A BOND)**

The Agency and the Metropolitan Transit District have been working to develop property on the 1000 block of Chapala Street. The project site covers more than half of an entire City block and is composed of the 164-space City Parking Lot #3 and the MTD Transit Center. The intersection of Carrillo and Chapala Streets has seen major improvements in recent years, with the construction of the Hotel Andalucia and the Ralph’s Supermarket. The property owners have identified an opportunity to consider a joint mixed-use redevelopment project on the property. A Downtown Transit Village is envisioned for this prime gateway site, incorporating public and private parking, a mix of housing, a new MTD transit center, and various commercial uses. In April 2006, after a Request for Proposal process, Urban Studio and their sub-consultants, Allan D. Kotin and Associates and Patti Post and Associates, were chosen based on their experience with similar feasibility analyses, local knowledge, and expertise in advising public agencies on real estate deal structuring. The feasibility analysis has been completed and addresses the opportunities, constraints, and challenges presented by the physical, financial, and regulatory conditions affecting redevelopment of the 1.8 acre site. The analysis includes an evaluation of the most appropriate location of the transit center, an analysis of the project site and surrounding area and a land-use planning strategy that addresses the feasibility of various project components, including whether the scenarios are economically feasible. A Request for Qualifications is being compiled and will be released to the development community to recruit developers interested in designing and constructing the project. The Agency has allocated \$2,000,000 towards this effort.

**CHAPALA STREET INTERSECTIONS (2001A BOND)**

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

In order to significantly enhance the safety, functionality and aesthetics of the intersections at both De La Guerra and Gutierrez Streets as per the Guidelines, the Redevelopment Agency authorized funding in the amount of \$835,000 at the January 27, 2005 meeting to complete the intersection improvements that were not the obligations of the developers of the two projects mentioned above. At a joint meeting of the Redevelopment Agency and City Council, the Agency Board allocated further funding of \$158,300 for the construction of the intersection improvements. Granite Construction Company was awarded the construction contract which consisted of sidewalk improvements, including bulbouts, at these two intersections. In addition to the ADA accessible ramps, the bulbouts enhance pedestrian mobility and safety by reducing crosswalk distances at the intersections. The crosswalks, leading from the bulbouts, were constructed of attractive brick pavers in a herringbone pattern. In addition, landscape improvements, including trees, ground cover and minor shrubs, were included consistent with the Guidelines. Construction was coordinated with the State Street Sidewalk Improvement Project in order to reduce congestion downtown. The project is expected to be completed early in the first quarter of FY 2008.

**914 STATE STREET PUBLIC RESTROOMS (2001A BOND)**

The only City-owned public restrooms on State Street are located at 914 State Street between Borders Bookstore and the Fiesta Five Movie Theaters and were opened October 2006. The restrooms were designed by Poirier and David Architects to complement the historic architecture of the City’s El Pueblo Viejo. Particular attention was paid to incorporate sustainable design elements with the inclusion of skylights to allow natural daylight, low-flow toilets and faucets, waterless urinals, and low-water landscaping. W.T. Thomson, Inc. was awarded the

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

restroom construction contract and construction was begun in the fourth quarter of the Fiscal Year 2006. This 350-square foot ADA accessible restroom also included recycled tile, recycled content toilet partitions and a de-ionized water system that reduces reliance on toxic chemicals to clean the restrooms. The final cost was \$437,799 including design and change orders.

**STATE STREET SIDEWALKS PHASE IV – 400 & 500 BLOCKS (2003A BOND)**

The final phase of the State Street Sidewalk Improvement Project was completed in May 2007, and all four phases were feted at a Grand Finale and Opening party on June 9, 2007. As in the other phases, these two blocks now have brick pavers replacing the old sautillo tile which had proven to be a maintenance concern. Now sidewalks from the 400 block to the 1200 block are continuous brick and all have holiday lighting, enhanced with pedestrian amenities that improved pedestrian access and safety, diversified landscaping, and increased storefront visibility. Modifications were made to the original phase (1000- 1200 blocks) to make it consistent with the other three phases. These modifications included upgraded handicap ramps to current Americans with Disabilities Act standards, concrete reinforcement of planter edges, and electrical wiring for existing art pads.

As with the three previous phases, Phase IV has included a comprehensive public outreach program throughout the duration of the project design. The Agency had allocated \$2 million for the design and construction of Phase IV of the State Street Sidewalks Improvement Project which included the 400 and 500s block of State Street between Gutierrez and Cota Streets. But with time elapsing and construction prices rising, the Redevelopment Agency had to increase the funding by \$1.2 million. Lash Construction was awarded the construction contract and the final phase total cost was \$3.125 million. The Downtown Organization once again organized a public relations campaign to ease the inconveniences caused by the construction and closed streets.

**WEST DOWNTOWN IMPROVEMENT PROGRAM (2003A BOND)**

The West Downtown area is that portion of the Central City Redevelopment Project area bordered by Carrillo Street on the north, Highway 101 on the west and south, and Chapala Street on the east. In November 2002, the RDA held two widely noticed public meetings that included about 40 participants from the community. The purpose of the meetings was to present and solicit suggestions for capital improvements that would improve the West Downtown neighborhood and to get feedback and a sense of priority, including improvements to the two primary pedestrian corridors of Ortega Street and Anapamu Street. A report summarizing these suggestions was forwarded to the Redevelopment Agency Board and will be used as a reference for future improvements to the area. The project scope is being developed by the City’s Transportation Planning Division with a primary focus on the Anapamu Street and Ortega Street pedestrian corridor improvements. The firm of Conceptual Motion was selected in April 2005 to provide final design services. The scope of work will include landscape design that will create a consistent theme in a walkable corridor between the Westside and downtown. The top priorities of the project include pedestrian-oriented street lighting, sidewalk improvements including bulbouts at intersections, and landscaping. Also included in the project are improvements to the Westside Park, located adjacent to the 101 freeway. Improvements to this heavily used park will include new landscaping, fencing, and a re-orientation of the park facilities to better serve the local neighborhood. The Agency has allocated \$3.5 million from its 2003A bond proceeds for this program. Construction could begin in mid-2008.

**TWELVE 35 - TEEN CENTER (2003A BOND)**

Recognizing the needs of community teens, in June 2004, City Council voted to have the City facility located at 1235 Chapala Street renovated to house a teen center. The teen center has been named “Twelve35” after a vote by local youth. The new teen center features an arcade room, a game room, a living room with HDTV and movie projector, a snack counter, and a lounge/study named for former Mayor Harriet Miller. Some of the new activities at the center include teen yoga, theater training, healthy alternative life skills, and a recording studio that will feature music lessons. Funding for the \$565,000 project was provided by State Prop. 40 (\$240,000), Redevelopment Agency (\$200,000), Women’s Fund of Santa Barbara (\$90,000), Santa Barbara Foundation (\$22,000), and funds raised by Teen Programs (\$13,000). Construction began in October 2006 and was completed February 23, 2007, on time and within budget. The grand opening was March 17, 2007.

**PLAZA VERA CRUZ (2003A BOND)**

Plaza Vera Cruz became the City’s first playground in 1908. In 2000, the Agency Board appropriated \$78,000 to complete basic upgrades to the park. The project scope was expanded January 2005 to include infrastructure improvements, and was funded at a level of \$340,000. Features of the new design include ADA-compliant pathways and enhancements to park lighting, landscaping, seating and other amenities. Approval of the final design is scheduled for the fall of 2007, with construction to be completed in early 2008.

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

**CARRILLO RECREATION CENTER (2003A BOND)**

Funding of \$3,500,000 for the Carrillo Recreation Center Rehabilitation Project was appropriated as part of the Redevelopment Agency’s 2003 Tax Allocation Bond Issuance. This three-story 20,000 sq. ft. structure was built in 1913 and needs to be brought up to current performance standards, including seismic upgrades, Americans with Disabilities Act (ADA) compliance, and extending the useful life of the building’s core systems. In March 2006, the City contracted with VFA, Incorporated, to conduct a facilities condition assessment to determine the overall building condition and the condition of the primary systems, to identify the building’s requirements and needs, and provide recommendations for the requirements. This report will be used as a tool for the architect to efficiently design the retrofit of the building. This is an historic structure that poses many challenges. The mechanical and electrical systems are old, it is seismically inadequate, and accessibility is difficult in many areas of the building. In February 2007 the Council approved a design services contract with Kruger Bensen Ziemer Architects, Incorporated (KBZ), in the amount of \$261,985 for design of the renovation of the Center. The services to be provided by KBZ include the validation and prioritization of findings identified in the VFA facilities assessment, seismic analysis, project design oversight, project coordination, obtaining City approvals, cost estimating, and bidding phase services. The contract also includes promoting green building opportunities while preserving the historic integrity and meeting current codes on a limited budget.

**HISTORIC RAILCAR (2003A BOND)**

In 2001, Redevelopment Agency staff was contacted by representatives from the California Department of Transportation (CalTrans) Rail Program regarding possible Federal Transportation Enhancement Activities (TEA) funding for improvements at the Historic Rail Spur at the Santa Barbara Railroad Station. CalTrans indicated that up to \$350,000 could be provided (with an Agency match of up to \$46,000) for a historic preservation project. It was determined that installation of a vintage railroad car for static display at the rail spur would likely fit into the funding criteria and might be favorably considered for funding through their TEA Awards program. The Agency Board allocated the \$46,000 for this project at the time the 2003A Bond was issued. The State approved a \$350,000 reimbursable grant for the project in 2005. In 2006, a 1914 Pullman built heavyweight coach, rebuilt circa 1929 as the Southern Pacific Business Car Santa Barbara, and was found to be in the possession of Fillmore & Western in Fillmore, California. Given the railcar’s name and location, it is speculated that the car was likely to have traveled through Santa Barbara. Fillmore & Western will sell, restore, transport the railcar to the Santa Barbara Railroad Station and install the railcar on the existing historic rail spur at a contracted price of \$295,000. Refurbishment of the car is expected to require 12 to 18 months. Total project costs are estimated to be \$324,500. However, with State reimbursements, the net cost to the City will be a maximum of \$41,808. The Redevelopment Agency has allocated a total of \$364,500 of which CalTrans will reimburse the Agency \$287,279 (81%).

**STATE STREET UNDERPASS IMPROVEMENTS (2003A BOND)**

In Fiscal Year 2007, the Redevelopment Agency appropriated \$200,000 to the City’s Public Works Department to use to improve the State Street underpass at Highway 101, the primary pedestrian and vehicle link between downtown and the waterfront. The project has been completed and improves pedestrian safety by enhanced lighting and improved aesthetics via the application of a graffiti-resistant clear coating that makes graffiti easy to remove and eliminates the need to paint over graffiti.

**MISSION CREEK FLOOD CONTROL ENHANCEMENT (2003A BOND)**

The Redevelopment Agency appropriated \$2,500,000 at the time of the issuance of the 2003A bond for this enhancement project. These funds augment the Army Corps of Engineers-funded flood control project for Mission Creek which will widen and rehabilitate the creek between Canon Perdido and Cabrillo Boulevard. Agency funds are designated to be used for enhancement to benefit the Project Area. Enhancements could include acquisition of property for creekside open space and pocket parks, landscaping, aesthetic treatments of historic bridges and pedestrian paths. Two properties at Bath and Ortega Streets have been identified for acquisition and have been appraised by the firm Hamner, Jewell and Associates. Purchase offers have been extended and relocation efforts have begun. This fiscal year, the Agency has expended \$10,655.

**SOIL REMEDIATION – CASAS LAS GRANADAS (CAPITAL)**

During the excavation for the recently completed Granada Garage, extensive soil contamination was discovered at the proposed site of the Casas Las Granadas affordable housing development. Before the Casas Las Granadas housing project could begin, 985 cubic yards of contaminated soil had to be removed and properly disposed.

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

Funds were appropriated in December 2006 to pay Peoples’ Self-Help Housing Corporation to remove the contaminated soil. Of the \$217,000 appropriated, the Agency has reimbursed Peoples for \$152,484.

**ANAPAMU OPEN SPACE ENHANCEMENT (2003A BOND)**

Once it was determined that the workforce housing project associated with the Granada Garage project would be relocated from the north side to the Anapamu Street side, it became evident that the remaining open space would need to be landscaped. The Redevelopment Agency owns the property. At their December 6, 2006 Board meeting, the Agency appropriated \$150,000 for this enhancement. The project will consist of basic improvements to the open space area fronting Anapamu Street and adjacent to the Casas Las Granadas Affordable Housing Project. Staff is currently working with Peikert Group to develop conceptual level plans.

**CULTURAL ACTIVITIES**

**PLAZA DE LA GUERRA MASTER PLAN (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 Plaza has served as the City’s cultural center. Since 1925, when the City Hall building was removed from the Plaza lawn and construction of the current City Hall building was completed, there have been periodic efforts to redesign and improve the Plaza.

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

The design firm of Campbell and Campbell was selected and received Agency approval for their design services contract for \$86,665 in June 2005. Campbell and Campbell have teamed with Penfield and Smith for civil engineering support; John Maloney, P.E. for electrical engineering; and Clearview Studios for graphic concepts. Final design is anticipated in late 2007 with phased construction to follow. The Agency has allocated \$1 million of the 2003A Tax Allocation Bond proceeds toward design and construction.

**COMMUNITY ARTS WORKSHOP (2003A BOND)**

In response to the need for rehearsal space, production set construction space, and general performance space for art groups in the community; the Agency Board allocated \$1,000,000 in 2001 to fund a Community Arts Workshop at a to-be-determined site. In 2005, Agency-owned property at 631 Garden Street, the site of the former Community Environmental Council recycling center, was identified as a potential location for such a workshop. The Agency is currently negotiating a long-term lease with Summer Solstice Celebration to manage a future workshop at this location. A local architectural firm, Poirier and David Architects, have produced a preliminary design and in June 2007 were awarded a final design contract for \$95,650. The Community Arts Workshop is expected to open in fall 2008.

**COMMUNITY CULTURAL GRANTS FOR CAPITAL PROJECTS**

**GRANADA THEATRE (2001A AND 2003A BOND)**

The Granada Theatre is currently being renovated and expanded to become a first-class performing arts venue and an anchor for the City’s cultural district on upper State Street. The Agency awarded the project \$4.5 million, and an additional \$500,000 in Fiscal Year 2008, in grants and the community has demonstrated its strong support through donations totaling over \$40 million towards the renovation project. The project will add approximately 10,000 square feet to the theatre footprint. Combined with the newly acquired commercial spaces adjacent to the theatre, a significant portion of the new floor area would be created in a large basement level complex, providing an array of new and upgraded public amenities and expanded backstage areas. The audience will notice a return to the theatre’s original design details and décor, expansion of the stage depth and width, 1,600 new seats, and an enlarged orchestra pit. Technical improvements will include acoustical refinements; upgrading the theatre’s

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

structure to modern earthquake and life-safety standards, an improved lighting system; a new, state-of-the-art box office; computerized stage and sound equipment; and new projection and film audio facilities. A new basement level will provide performers’ dressing rooms, patron lounges, and restrooms. The improvements will enable the Granada Theatre to accommodate large touring companies that would use the venue as a natural stop between Los Angeles and San Francisco. An endowment fund will also allow the SBCPA to make the Granada Theatre available to local arts organizations at affordable levels. The renovation project is expected to be complete in March 2008.

**EL PRESIDIO NORTHWEST CORNER - FINAL PHASE**

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

**STREET IN MEXICO**

The Santa Barbara Trust for Historic Preservation was awarded a grant of \$50,000 towards the construction of a flagstone paseo way on the west side of Casa de la Guerra. Previous Agency grants have been awarded to the reconstruction of the main Casa de la Guerra. This passageway not only provides access to the main courtyard of the El Paseo structure but also air circulation that will help with the maintenance of the exterior wall of the Casa. Other funds came from an adjoining parcel owner and new dumpster enclosures makes for a much more pedestrian-friendly and aesthetically pleasing paseo.

**HISTORICAL SOCIETY - COLLECTIONS VAULT**

A grant of \$100,000 was awarded to the Santa Barbara Historical Society to use in installing a high-density museum grade mobile storage system to maximize existing space for current and future needs. The museum more than doubled their storage capacity in the library reading room, stack room vault and library vault in the main building of the museum. That vault was completed before the end of FY 2007.

**ARTS ALIVE! – GALLERY ENHANCEMENT**

The Agency Board granted \$20,825 to ARTS ALIVE! Creativity Center for their use in upgrading the walls and lighting in their 700 square foot community art gallery. Other amenities, such as a locking display case, 10 art pedestals, a mobile art cabinet and a mat cutter were included. This gallery is a popular venue giving exposure to local professional artists as well as promising young artists. All funds have been disbursed.

**CENTER STAGE THEATER UPGRADE**

The Center Stage Theater in Paseo Nuevo was in need of new stage curtains to replace the tattered original curtains. Over time the Agency has granted funds to this performance arts venue and this year awarded \$8,465 for the much needed curtains and their truss system. The new curtains are in place and all the funds disbursed.

**STATE OF THE ART GALLERY**

Since the first phase of the State Street Sidewalks Replacement project incorporated art pads for public art display, the Agency has been awarding annual grants and this year awarded \$69,000 for the procurement, installation and deinstallation of art along the main thoroughfare known as the State of the Art Gallery. The County Arts Commission displayed 10 regional sculptors’ works from September through November 2007. Additional funds were allocated for the future installation of the salvaged Celebrate Santa Barbara Mural on the Granada Theatre side of the Granada Garage.

**LOBERO THEATRE ACOUSTIC UPGRADES**

The Lobero Theatre Foundation was awarded \$105,734 for their use in upgrading the acoustics in the historic Lobero Theatre. An acoustical consultant firm, McKay, Conant and Brook, had determined that by baffling the four sets of doors to reduce the sound of traffic on Anacapa Street, baffling several fresh air vents on the exterior

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

of the building on the Anacapa Street side and relocating a 2” water regulator that the noise level could be reduced by 75%. The upgrades have been completed.

**HOLIDAY ART GALLERY**

In 2001, the Redevelopment Agency first granted \$6,000 to the Downtown Organization for the construction and installation of three public, holiday art pieces. The pieces were installed using the State of the Art pads along State Street in the Cultural Arts District and acted as another special holiday season attraction for the Downtown Business Community within the Central City Redevelopment Project Area. Local artist Dominique Reboul created these three whimsical pieces entitled the Tightrope Walker, the Circus Juggler, and the Dancing Bear. The art pieces are approximately 16-feet tall and composed of steel, galvanized steel, and aluminum. Each year the sculptures are installed in mid-November and removed late-January. The Downtown Organization received another grant of \$32,800 in FY 2003 towards five additional holiday art sculptures that were installed for the 2005 holiday season. The final amount of \$17,180 was expended in this fiscal year.

**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. Phase I and II were recently combined and consist of a number of capital improvements from Stearns Wharf to the Sea Landing area including construction of enhanced pedestrian crossings and signals across Cabrillo Boulevard at Castillo Street, Bath Street, Ambassador Park and Chapala Street to the beach front; repair of the existing sidewalk from the wharf to Sea Landing; design and construction of viewing plazas on the beach across from Ambassador Park and Chapala Street; improved signage; developing opportunities for public art display; and possible placement of landscaping between the existing beachway and seawall from the wharf to Sea Landing. Originally proposed changes to the Waterfront parking lot have been decreased. Specific improvements are being identified through a process of additional conceptual design and analysis and review with stakeholders through a contract with Conceptual Motion Company. The original funding amount was \$2 million. Conceptual Motion was awarded the contract for the original concept study and in May 2006 the Agency approved additional concept design and a Phase I preliminary design contract in the amount of \$259,856. Construction of the improvements is expected to begin in mid-2008. Additional funding has been allocated, bringing the total to \$3,250,000.

**EAST CABRILLO BOULEVARD SIDEWALK REPLACEMENT (2001A BOND)**

This Agency project replaces existing sidewalks from Stearns Wharf to Milpas Street. Cabrillo Boulevard, considered one of the City’s more scenic routes, is the primary thoroughfare along the City’s beachfront east of State Street and is flanked by tourism-related businesses, hotels and recreational public parks. On weekends, the sidewalk is heavily used by visitors to the Sunday Arts and Crafts show. A Historic Resources Report was prepared at the request of the City’s Historic Landmarks Commission, as there is a Preservation Covenant stemming from the transfer of ownership in 1996 from the California Department of Transportation, stating that the City cannot alter the historic fabric of this district without approval from the State Office of Historic Preservation. The research consultants, Post/Hazeltine, provided a Conceptual Design Guidance Report, which outlined the area’s history and the significance of being designated a State Historic District. Cabrillo Boulevard was the main component in the 1924 Olmsted/Cheney Plan that provided guidance for development of this beachfront recreational area. Improvements anticipated for this mile-long promenade include new concrete sidewalks and enhancement of the parkways. In July 2005, following a Request for Proposals process, the engineering firm of Penfield and Smith was awarded the preliminary design contract for \$73,282. Construction is anticipated to begin in January 2008 and be completed by April 2008. The Agency has allocated \$3.1 million for the project.

**WATERFRONT PROPERTY – 125 CACIQUE STREET (2003A BOND)**

In 2001, the Redevelopment Agency purchased property at 125 Cacique Street in the waterfront area comprised of 4 parcels totaling 2.404 acres. The Agency has begun the process of evaluating the site for its best use. URS Corporation provided an update of the biological resources. MacFarlane Archaeology Associates have provided a Phase 1 archaeological resource survey. The firm, Poirier and David Architects, is researching all the constraints that effect the development of this property. The City’s survey crew has provided an updated survey of the property. This fiscal year the Agency expended \$10,138 on these activities.

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

**SANTA BARBARA MARITIME MUSEUM**

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

**OTHER ACTIVITIES**

**FIRE STATION NO. 1 SEISMIC RENOVATION (2003A BOND)**

Fire Station No. 1, located at 121 West Carrillo Street in the downtown area of Santa Barbara, is structurally and functionally inadequate, undersized for the current needs of the department, contains dilapidated building systems, and does not meet certain Building Code or Americans with Disabilities Act (ADA) requirements. The remodel will include a thorough renovation of the interior of the fire station including a seismic retrofit, a renovation and separation of the dormitory and restroom facilities, upgrades to windows, doors, lighting security, and overall energy efficiency of the building. 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 the Fire Station #1 so that the funding gap could be reduced. The actual funding shortfall will not be known until consideration of the award of a construction contract. The current project schedule anticipates that the construction contract will be presented to the City Council/Agency Board for consideration in November 2007. 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. An additional appropriation of \$1 million from the same fund was included in the Redevelopment Agency's Fiscal Year 2007 budget approval, for a total allocation to date of \$4,300,000.

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

In February 2006, the City Council approved the Pesticide Hazard and Exposure Reduction (PHAER) zone model for the City of Santa Barbara. The Redevelopment Agency budgeted \$156,000 in FY 2007 for the Parks and Recreation Department for proposed improvements that will significantly expedite these improvements in the Redevelopment Project Area and facilitate Parks and Recreation's efforts to maintain City Parks and City properties in a "green" manner. Approximately \$136,000 is earmarked for integrated pest management–sustainable improvements and \$20,000 has been designated for signage geared towards educating the public about the PHAER zone model and the City's green and sustainable efforts. To date, \$7,823 has been expended.

**TRANSPORTATION MANAGEMENT PROGRAM (GENERAL)**

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

**AGENCY'S AFFORDABLE HOUSING PROGRAM**

**315 WEST CARRILLO STREET (EL CARRILLO)**

On September 15, 2006, the City's Housing Authority completed 61 small (254 square foot) studio apartment rental units (plus one 2-bedroom manager's unit) for the homeless. The Housing Authority owns and manages the project. The Agency loaned the Housing Authority \$1,775,000 for acquisition of the half-acre site located adjacent to their award-winning Casa de Las Fuentes "Downtown Worker" affordable rental housing project. The Agency also provided a \$300,000 predevelopment loan in state HELP funds. The project received over

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

\$8 million in federal low income housing tax credits and received \$1 million in below market rate construction loan funds from the Santa Barbara County Housing Trust Fund.

El Carrillo is the 1st project to be completed under the County’s Ten Year Plan to End Chronic Homeless. The experienced social services organization, Work Training Programs, Inc (WTP), provides a full range of services. Two full-time WTP case workers are on site daily, through funding provided by Santa Barbara County Alcohol, Drug & Mental Health Services. WTP reports that nearly every resident regularly participates in medical and/or psychological support services. Chronic homelessness exacts a high toll on public services. City estimates for social service costs related to the homeless approach \$700,000 annually, not counting costs for hospital emergency rooms, jails and psychiatric wards. In addition to cost savings, El Carrillo benefits the community in taking troubled homeless people off the street and returning them to more productive lives. El Carrillo has received numerous awards for program design, social advocacy, architecture, and solar energy.

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

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

The two projects represent the largest affordable housing site ever developed in the County and demonstrate how affordable housing can be produced on a regional inter-governmental basis. Both projects are rapidly approaching completion. Mercy Housing has already selected tenant families for St. Vincent’s Gardens and plans to move them in shortly.

**617 GARDEN STREET (BUILDING HOPE)**

The Mental Health Association in Santa Barbara County (MHA) has commenced construction on a large, mixed-use project directly across the street from the Agency’s Garden Street offices. The project will provide 51 units of affordable rental housing for low income MHA clients and downtown workers and will feature administrative office space and program space for MHA and office space for the City. The Agency contributed land (the former parking lot for its employees) to the project and has disbursed the \$5.1 million it committed to the project, in addition to the \$385,000 in state HELP funds the Agency spent for predevelopment. The residential portion of the project is expected to be completed by the end of 2008.

**21 EAST ANAPAMU STREET (CASAS LAS GRANADAS)**

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

For Casas las Granadas, the Agency leased the site to Peoples at a nominal rate and provided a \$60,000 predevelopment grant. Agency staff secured City HOME funds for the project in the form of a \$90,000 predevelopment loan and \$1,581,000 permanent loan. The Agency also paid for extensive contaminated soil removal on site and will pay for numerous physical improvements to adjacent public open space and walkways. Construction is expected to be completed in 2008.

**3965 VIA LUCERO (HABITAT FOR HUMANITY)**

Habitat for Humanity (Habitat) completed 3 new low income ownership units using Habitat’s well-tested formula that includes donated materials and technical assistance from the local development community, volunteer labor, future homeowners’ labor (sweat equity), and grant funds and donations from an array of foundations and local churches. Agency staff secured City HOME funds for site acquisition and predevelopment in the amount of \$240,000. With construction now complete, Agency staff is working with Habitat in transferring ownership of the new units to the sweat equity households. Sales are expected before the end of 2007.

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA  
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2007  
(NOT COVERED IN AUDITOR’S REPORT)**

**618 SAN PASCUAL (HABITAT FOR HUMANITY)**

Habitat is now planning a new project – 4 new low income ownership units – using the same formula described above. The Agency provided \$400,000 in state HELP funds for acquisition, and Agency staff secured \$660,000 in City HOME funds for construction. Work is expected to start in 2008.

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

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

The building at 421 East Cota (it once housed the old Mom’s restaurant) has structural issues that limit development options. Transition House plans to demolish the structure and build new affordable housing over space dedicated to child care, but will not start this project until after the upcoming extensive reconstruction of the East Ortega Street Shelter is completed. The Housing Authority acquired property across the street (Haagen Printing) for land banking. Transition House and the Housing Authority are considering joint development plans for the two properties. In the meantime, Transition House leases out the former restaurant space in order to help cover carrying costs.

**416-424 COTA STREET / 517 OLIVE STREET (HAAGEN PRINTING PROPERTY)**

The Agency provided the City’s Housing Authority with a loan of \$2,000,000 for the acquisition of property at 416-424 East Cota Street and 517 Olive Street. The Housing Authority is land-banking the site for future affordable housing development, possibly in conjunction with development of Transition House’s Mom’s Property across the street, as mentioned above. The Haagen Printing property is a relatively large site of nearly 40,000 square feet that is improved with two industrial buildings (totaling 20,850 square feet) currently under lease to a printing business and a telemarketing call center. The property is zoned Commercial Manufacturing (CM) which allows for residential development to R-4 standards under the City’s pyramid zoning.

The Housing Authority has selected an architect and plans to develop a large supportive housing project for the homeless and downtown workers. Additional Agency funds would be needed. Construction is expected to start in 2009.

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

**INTRODUCTION**

This report, covering the projected program year for the fiscal year ending June 30, 2008 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 2008 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2008, including appropriations from prior year balances.

**FISCAL YEAR 2008 WORK PROGRAM**

**HOUSING PROGRAMS FUND PROJECTS**

***Housing Revolving Fund:*** \$500,000  
Funds available for the development of affordable housing projects, including land-banking, site improvements, interim financing, rehabilitation, and new construction of multi- or single-family properties per State statute.

**REDEVELOPMENT AGENCY GENERAL FUND PROJECTS**

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

***Property Management:*** \$175,000  
Miscellaneous improvements to Agency-owned properties and property management obligations.

***Transportation Management Program Shuttle Bus Contract:*** \$300,000  
Funding contribution to shuttle program that mitigates traffic and parking impacts resulting from Agency development projects.

***Hazardous Materials:*** \$75,000  
Funds to investigate, characterize and clean up toxic contaminants on Agency-owned properties. Funds are being used to mitigate groundwater contamination under Agency-owned Parking Lot 12 and Agency property at 631 Garden Street.

***Downtown Organization Cultural Promotions 2008:*** \$58,500  
Funds used to reimburse the Downtown Organizations’ efforts to promote the historic/cultural downtown area.

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

**REDEVELOPMENT CAPITAL FUND PROJECTS**

***Integrated Pest Management – Sustainable Park Improvements:*** \$37,120  
Funds for the Parks and Recreation Department to use for sustainable improvements that reduce the use of hazardous materials in City parks within the Central City Redevelopment Project area and for signage towards educating the public about this program.

***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. \$2,000,000 loan to the Housing Authority for purchase of properties at 416- 424 East Cota and 517 Olive Streets in FY 2007.

***Redevelopment Project Contingency Account:*** \$6,318,176  
Funds to be used to cover project cost overruns due to increases in construction costs during the period between project appropriation and project construction. Due to increased costs, \$158,000 was appropriated for the Chapala Street Intersection Project in FY 2007. In FY 2007 an appropriation of \$150,000 was designated for reimbursement to Peoples’ Self-Help Housing Corporation for pedestrian improvements to the paseo between Casas las Granadas and the Coffee Cat building. The Agency appropriated \$364,500 in FY 2007 for costs to refurbish the historic railcar to be installed on the rail spur at the Railroad Station. The Agency has a CalTrans reimbursement grant for 81% of the costs.

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

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

Additional funds to be used for purpose of funding new, as yet unspecified, projects or for making up shortfalls in funding for approved but not constructed projects. \$217,100 was appropriated for soil remediation work at the construction site for Casas Las Granadas in FY 2007. In FY 2007 another \$200,000 was appropriated to become a grant for the final rehabilitation work being done at the Faulding Hotel, a SRO hotel in Santa Barbara.

***Soil Remediation – Casas las Granadas:*** \$64,616

The Site Remediation Plan called for removal and proper disposal of all contaminated soils estimated at 985 cubic yards. Funds were appropriated in FY 2007 to Peoples’ Self-Help Housing Corporation to remove the contaminated soil.

***Coffee Cat Pedestrian Improvements:*** \$147,207

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

***Fire Station #1:*** \$1,260,000

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

**SERIES 2001A TAX ALLOCATION BOND CAPITAL PROJECTS**

***East Cabrillo Boulevard Sidewalks:*** \$2,906,793

This Agency project will replace existing sidewalks from Stearns Wharf to Milpas Street. Historic Landmarks Committee gave preliminary approval March 2007. Due to historic status of East Cabrillo Boulevard the current design plans and historic structures report have been forwarded to the State Office of Historic Preservation for review with comments expected in late-June. Construction is anticipated to begin in January 2008 and be completed by April 2008.

***Chapala Street Improvements:*** \$9,969

Bulbouts of the sidewalk to shorten the distance to cross and new crosswalks at two intersections - Gutierrez and De la Guerra Streets. Construction is to be completed in early FY 2008.

***Thompson Avenue Improvements:*** \$200,000

Funds for improvements to be made in conjunction with improvements being made by Brooks Institute at the Lyons Building: sidewalk repair and replacement, landscaping, trash enclosure expansion, paseo improvements and general street improvements. A cost sharing agreement is being finalized and construction is scheduled to begin in late 2007.

**SERIES 2003A TAX ALLOCATION BONDS CAPITAL PROJECTS**

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

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

***Mission Creek Flood Control Enhancement:*** \$2,441,000

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

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

<p><b><i>Fire Station #1 Remodel:</i></b> Funding for a thorough renovation of the interior of Fire Station #1. Renovation to include: renovate and separate dormitory and bathrooms, seismic retrofit, upgrade windows, doors, lighting, security, and overall energy-efficiency of the building. Architect is developing a project master plan. The Agency provided additional funding of \$1 million in FY 2007 budget.</p>	<p>\$3,722,000</p>
<p><b><i>Opportunity Property Acquisition Fund:</i></b> Funds for opportunity purchases of property in the Project Area to be used for public-benefit development consistent with the Redevelopment Plan.</p>	<p>\$1,625,000</p>
<p><b><i>West Beach Pedestrian Improvements:</i></b> Funds for sidewalk and landscape improvements from the Wharf to the Santa Barbara Harbor. Phase I Design is proceeding. The Agency provided additional funding of \$1.25 million in FY 2007 budget.</p>	<p>\$2,900,039</p>
<p><b><i>Carrillo/Chapala Mixed-Use Project:</i></b> Funding towards a Downtown Mixed-Use Project in a prime gateway site, incorporating public and private parking, housing, a new MTD transit center, and various commercial uses. A feasibility study has been completed. A Request for Qualifications is being developed to be distributed to interested developers.</p>	<p>\$2,000,000</p>
<p><b><i>Plaza de la Guerra Infrastructure:</i></b> 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. Planning consultant contracted for design and final design is expected in late 2007.</p>	<p>\$847,000</p>
<p><b><i>Visitor Center Condominium Purchase:</i></b> Funds for the purchase of Ritz-Carlton Club condominium space prior to development agreement. Visitor Center to be leased by the Chamber of Commerce and to include public restrooms.</p>	<p>\$500,000</p>
<p><b><i>Lower State Street Sidewalks:</i></b> Funds for improvements to the 00 block of State Street to complement the Ritz-Carlton Club development sidewalk improvements.</p>	<p>\$250,000</p>
<p><b><i>Anapamu Open Space Enhancement:</i></b> Project will consist of basic improvements to the open space area fronting Anapamu Street adjacent to the Casas Las Granadas Affordable Housing Project. Staff is currently working with Peikert Group to develop conceptual level plans.</p>	<p>\$150,000</p>
<p><b><i>Waterfront Property Development:</i></b> These funds are to be used to fund future development of the Agency-owned property at 125 Calle Cesar Chavez. Agency staff has secured the design services of Poirier and David Architects to develop a conceptual analysis of site development potential. A complete survey has been completed by the City survey crew. A Phase I archeological report is currently being developed.</p>	<p>\$1,467,000</p>
<p><b><i>Artist Workspace:</i></b> 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 produced under a final design contract with Poirier &amp; David Architects approved by the Agency Board in June 2007. The project received Conceptual Design approval by the Historic Landmarks Committee in April 2007.</p>	<p>\$790,000</p>

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

<b><i>Plaza Vera Cruz:</i></b> Funds for Parks and Recreation are being used to renovate a downtown City park with vehicle and handicap accessibility improvements. Parks and Public Works staff are wrapping up the final design.	<b>\$293,660</b>
<b><i>Historic Railroad Car Acquisition:</i></b> Funds for the acquisition of a vintage rail car for static display at the Railroad Depot on an historic rail spur adjacent to the Moreton Bay fig tree. A rail car has been located and a purchase and refurbishment contract has been approved. Additional funds have been allocated for the process and the Agency will be reimbursed for 81% through a CalTrans TEA grant.	<b>\$398,000</b>
<b><i>West Downtown Improvements:</i></b> Funding for a series of capital improvements, including two primary projects: the Anapamu and Ortega corridor improvements. Proposed corridor improvements include upgrading pedestrian amenities such as sidewalk replacement where necessary (uplifted sidewalk sections due to tree roots, cracked and degraded sidewalk sections that cause trip hazards. etc.), general landscaping improvements where appropriate, the possibility of additional pedestrian-oriented lighting where appropriate and improvements to the Westside Center park are being reviewed. Conceptual Motion was awarded the final design contract and the drawings are in 50% review	<b>\$3,121,000</b>
<b><i>Spencer Adams Parking Lot and Site Improvements:</i></b> Funds to assist the Park and Recreation Department with various parking lot and site improvements at the lawn bowling center adjacent to the Louise Lowry Davis Center.	<b>\$186,300</b>
<b><i>Carrillo Recreation Center Restoration:</i></b> Funding for interior and exterior renovation of the historic Carrillo Recreation center. Upgrades to electrical, plumbing, structural and numerous aesthetic improvements. Facility assessment has been completed. The architectural firm of Kruger Bensen Ziemer are developing the conceptual design.	<b>\$3,213,000</b>
<b><i>Chase Palm Park Wisteria Arbor:</i></b> 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.	<b>\$833,000</b>
<b>COMMUNITY GRANTS</b>	
<b><i>Old City College Site Rehabilitation:</i></b> Grant funds to the Santa Barbara Trust for Historic Preservation for use in rehabilitation of the Alhecama Theatre to be leased to the Ensemble Theater and the rehabilitation of onsite buildings for use by the Trust for administrative offices.	<b>\$1,500,000</b>
<b><i>Santa Barbara Channels Media Arts Center:</i></b> Funds awarded in FY 2007 to Santa Barbara Channels to go towards the purchase of a Media Arts building for use two local television stations, Channels 17 and 21, and other non-profit arts organizations. The building would house two television studios, editing bays, office and meeting rooms, and two multi-use studio spaces and another office. The property has not been identified.	<b>\$1,000,000</b>
<b><i>Granada Theatre – 2008:</i></b> Additional funds granted for the Granada Theatre restoration which is scheduled for completion early in 2008.	<b>\$500,000</b>
<b><i>Lobero Audio/Visual and Lighting – 2008:</i></b> A grant for a new audio system, a video system, and the replacement of existing halogen lights with LED.	<b>\$201,588</b>
<b><i>Arts Mentorship Performance Area – 2008:</i></b> Grant funds for retractable/moveable wall system between the two dance studio areas to make them more versatile. The project will include new lighting and a light/sound board system.	<b>\$69,916</b>

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

<b><i>Center Stage Theater- 2008:</i></b>	<b><i>\$56,000</i></b>
Grant funds for the replacement of air conditioning units, truss equipment for the drapery, lighting and sound system support and new telephone equipment.	
<b><i>Sustainable Arts Study – 2008:</i></b>	<b><i>\$50,000</i></b>
Grant funds for research into a system for providing sustainable funding for the arts community targeted at at-risk youth. The study will be a collaborative effort with the University of California Institute for Research.	
<b><i>State of the Art Gallery – 2008:</i></b>	<b><i>\$40,000</i></b>
Continued funding of the installation of public art along the main downtown thoroughfare. Regional artists would be featured.	
<b><i>Downtown Organization 1st Thursday – 2008:</i></b>	<b><i>\$25,000</i></b>
Funds for maps and brochures promoting the free public downtown evening events of gallery openings, lectures, concerts and street performances on the 1 <sup>st</sup> Thursday of every month.	
<b><i>Santa Barbara Courthouse Legacy Foundation – 2008:</i></b>	<b><i>\$25,000</i></b>
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.	
<b><i>Santa Barbara Hispanic Chamber of Commerce- 2008:</i></b>	<b><i>\$3,600</i></b>
Funds for brochures for Business Trade Expo that will promote the stability and growth of small and medium locally-owned businesses.	