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, 2011

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, 2011

ROBERT SAMARIO, AGENCY TREASURER AND FISCAL OFFICER

Introductory Section

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2011

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City of Santa Barbara

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December 13, 2011

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, 2011. 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 Agency's finances. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

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

ECONOMIC CONDITION AND OUTLOOK

The primary economic factor affecting the Redevelopment Agency is the real estate market, having a direct bearing on the level of property tax increment revenues generated. The strong real estate market from 2000 through 2007 resulted in continued and substantial growth in revenues, allowing for the funding of important projects and activities during that period. While local real estate values have declined significantly over the last two years in connection with the nation-wide economic downturn and housing slump, the Agency has enjoyed slow growth in property tax increment revenues most years. The growth is due to the fact that property taxes are generally only reassessed when property changes ownership. Otherwise, taxes can only increase by the Consumer Price Index (CPI) up to a maximum of 2% per year. Therefore, revenues will decline only to the extent that actual market values fall below the assessed value. Therefore, even though prices continue to decline, the effect on property taxes can be uncertain. Over the past few years the Agency has seen a slowing of growth in property tax revenues, which appears to be a likely scenario for the next few fiscal years. Accordingly, the Agency tax increment revenues fell slightly in Fiscal Year 2010 and fell by 0.8% in Fiscal Year 2011. We do see signs of positive economic growth and have estimated a 1.5% increase in tax increment revenues for Fiscal Year 2012 to approximately $20,250,000.

The State of California continues to experience a severe budget crisis due to a myriad of issues including significant drops in many key revenues. As a result, the State's Fiscal Year 2012 budget proposes to eliminate redevelopment agencies (AB 1X 26) in an effort to help balance the budget. At the same time, the Legislature also passed AB 1X 27, which permits Redevelopment Agencies to come back to life if they "voluntarily" pay the State $1.7 billion this year and $400 million annually in perpetuity. This would result in the Agency paying the State approximately $7.1 million this year and $1.5 million in all remaining years. The California Redevelopment Association and the California League of Cities have filed a lawsuit against the State of California challenging the constitutionality of these bills. The Supreme Court will be hearing the case and will issue a decision by January 15, 2012.

MAJOR INITIATIVES

Carrillo Recreation Center

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

In April 2008, the Agency Board awarded the final design contract to KBZ for $496,526. The project addressed seismic issues noted above and improved ADA access by adding an elevator and two lifts. The restrooms were rebuilt to comply with ADA requirements. The project also updated the HVAC and electrical systems. It provided an improved office configuration and an additional dance studio for better functionality and service to the community. The full project incorporated green building materials and construction techniques in alignment with the City's Sustainability Goals of pursuing a LEED Certified rating.

Tasco Construction, Inc. was awarded the construction contract at $3,673,000 in the first quarter of FY 2010. With other construction contracts, the total construction cost was $5.6 million. The ballroom wheel chair lift installation and ballroom systems were commissioned in May 2010 with the ballroom having a separate opening on June 25, 2010. Construction of the entire project was completed in June of 2011 and a Grand Opening was held on September 1, 2011.

Fire Station #1 Administration Annex

On March 1, 2011, the Redevelopment Agency Board approved funding totaling approximately $2,350,000 for the renovation of a former City-owned muffler shop into the administrative headquarters of the Fire Department. The remodeled annex space will be used to house the Fire Department administrative and fire prevention staff. The work will include seismic, mechanical, and electrical upgrades, as well as ADA improvements. The annex remodel is occurring while the adjacent Fire Station No. 1 remains operational. This project will be LEED commissioned and is due to be complete in November 2011.

Lower West Downtown Lighting Project

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

In January 2010, Council awarded a contract for the project final design in the amount of $28,670 to Smith Engineering Associates. The completed initial design estimated the construction cost to be $2.25 million. The work will be accomplished in three phases. Phase 1 includes West Haley Street on the north, De la Vina Street on the east, West Gutierrez Street on the south and Bath Street on the west. The Agency funded $750,000 for Phase 1 in the Fiscal Year 2011 budget. Construction is scheduled to be complete by early 2012.

Westside Center - Playground Improvements

The Westside Center Playground Improvements, located adjacent to the 101 Freeway, is an element of the West Downtown Improvement Program. Improvements to this heavily used community park included new landscaping, fencing, and a re-orientation of the park facilities to better serve the local neighborhood. The design also included the installation of basketball half courts and a resurfaced handball court. Construction was complete in December 2010. This project was funded at a level of $270,887.

Brinkerhoff Avenue Lighting Project

This project added decorative pedestrian lighting similar to those used on Carrillo Street along Brinkerhoff Avenue. The four new street lights increase pedestrian safety and compliment the Victorian-era feel with lighting that matches the architecture. Upgrades included installing underground conduit, electrical circuits, and related components. The construction contract for $40,999 was awarded to Taft Electric on June 29, 2010. The total project cost of $200,000 was funded by the Redevelopment Agency. Construction was completed in May of 2011.

AFFORDABLE HOUSING ACTIVITIES

416-424 Cota Street / 517 Olive Street (Artisan Court)

The housing authority completed construction of a new 55-unit project that houses a mixed population of low income downtown workers, aging foster youth, and the homeless. The project was awarded $11.7 million in tax credits and federal recovery act funds. The Agency provided $4 million for acquisition of the property plus $284,583 for construction. Agency staff also secured $915,417 in federal home funds for construction, bringing the total local subsidy to $5.2 million. Artisan Court is now fully occupied.

2941 State Street

The City's Housing Authority acquired this existing multi-family rental housing development with six one-bedroom units. The Agency provided the Housing Authority with a $360,000 loan this year for acquisition of the property, and the City provided a federal CDBG grant for rehabilitation. The project will be completed next fiscal year.

2904 State Street (WillBridge)

The City's Housing Authority acquired this 8-unit residential property (formerly a motel) in order to master-lease it to a local non-profit (WillBridge) which provides housing and supportive services to formerly homeless people. The Agency provided the housing authority with a $1,150,000 grant this year for site acquisition. The Housing Authority worked closely with community representatives to address concerns about the project's operation and its target population, and the project is now fully occupied.

233 West Ortega Street

The Agency provided a $300,000 grant this year to the City's Housing Authority for construction of two low income rental housing units on an underutilized public housing site. Construction is well underway and is expected to be completed early next fiscal year.

421-425 East Cota Street (Mom's Property)

The building at 421 East Cota (formerly Mom's Restaurant) had structural issues that limited development options. Transition House has demolished the structure, and is now constructing a new mixed-use building that features eight new affordable housing units over a ground-floor infant care center. Transition House is also rehabilitating the building it owns next door (425 east Cota), which has eight existing apartments, and will connect the existing building with the new one. The Agency provided a $120,000 predevelopment loan, and Agency staff secured $850,000 in federal home funds for the new construction. The Agency also committed $150,000 for rehabilitation of the existing units, and Agency staff secured $100,000 in CDBG

funds for replacement of the roof. Tax credits approved this year will bring over $4,000,000 to the project. Construction and rehabilitation are underway, and completion is expected late in the next fiscal year.

OTHER INFORMATION

Component Unit Reporting

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

Internal Controls

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

Independent Audit

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

Acknowledgments

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

Respectfully Submitted,

James L. Armstrong
Executive Director and Secretary

Robert Samario
Agency Treasurer and Fiscal Officer

REDEVELOPMENT AGENCY
OF THE
CITY OF SANTA BARBARA

Directory of Agency Officials

June 30, 2011

Helene Schneider
Chairperson

Dale Francisco
Member

Frank Hotchkiss
Member

Grant House
Member

Michael Self
Member

Bendy White
Member

Randy Rowse
Member

James L. Armstrong
Executive Director and Secretary

Paul A. Casey
Deputy Director

Robert Samario
Agency Treasurer and Fiscal Officer

Stephen P. Wiley
Agency Council

Brian Bosse
Housing & Redevelopment Manager

Financial Section

Financial Section

LSL
CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
  A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Chair and Members of the Governing Board
Redevelopment Agency of the City of Santa Barbara
City of 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, Califomia, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We would like to draw the reader's attention to Note 9 – "California Redevelopment Agency Uncertainty". The note provides information on two bills passed, AB1X26 and 27 which dissolve redevelopment agencies effective October 1, 2011, and provide an option to avoid dissolution by making certain defined payments.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Soll & Lunghard, LLP

Brea, California
November 23, 2011

Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

This section presents an overview of the Agency's financial activities for the fiscal year ended June 30, 2011. 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

The accompanying financial statements reflect a significant change in the financial position of the Agency due to the transfer of virtually all assets of the Agency to the City. This transfer of assets was approved by the City Council and Agency Board in June 2011 pursuant to existing cooperation agreements between the City and Agency, executed several years ago, which obligate the Agency to reimburse the City for City projects and programs currently underway. The transfer of assets will provide advanced funding to the City for the completion of the projects over the next several years.

Included in the assets transferred are certain real property previously owned by the Agency, such as parking structures and land, whose ownership has been transferred to appropriate successor City fund/operation in advance of the Agency's pending expiration in 2015.

The cooperation agreements also obligate future tax increment revenue, above amounts needed for to service outstanding Agency debt, to specified City projects deemed to have met the definition of blight. As a result, future Agency financial statements will continue to reflect the total tax increment received with corresponding disbursements to the City for current and planned projects. Moreover, the Statement of Net assets of the Agency will only reflect the outstanding long-term indebtedness and related cash and investments held for repayment of debt and for capital projects funded from Agency bond proceeds.

- Total assets of the Agency were $34.6 million at June 30, 2011, a decrease of approximately $149.1 million from the prior year. The reduction in assets pertains to the transfer of Cash, Loans Receivable, and Capital Assets to the City of Santa Barbara. The Agency and City entered into a multi-year cooperative agreement which obligates the City to fund and undertake all activities to redevelop, revitalize and eliminate blight in the Project Area on behalf of the Agency; and the Agency is obligated to reimburse the City for all funds expended.

- Net assets (assets over liabilities) of the Agency at June 30, 2011, totaled a negative $20.7 million, a decrease of $143.8 million from the prior year. The decrease is due to the transfer of current and long-term assets from the Agency to the City as explained above, thereby reducing the net asset amount. Since total net assets is a negative amount, there are no available unrestricted funds; however the Agency will be able to meet its short-term obligations to citizens and creditors from the receipt of future tax increment funds.

- Revenues of the Agency for the year ended June 30, 2011 totaled $20.8 million and government-wide expenses totaled $164.6 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to present financial information about the Agency as a whole, similar to the private sector, including the use of accrual-based accounting to recognize revenues and

expenses. Government activities typically include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. However, the activities of redevelopment agencies, which are governed by State law, primarily include capital improvements designed to eliminate blight in the community, financed primarily from the sale of bonds. The debt service costs associated with the bonds are funded from property taxes generated from the improvements made.

The government-wide financial statements can be found on pages 12 and 13 of this report. The Statement of Net Assets presents all Agency assets and all related liabilities, including long-term debt obligations. The difference between total assets and total liabilities, presented as "Net Assets," measures the financial health of the Agency at year-end. Over time, the change in net assets indicates whether the financial health of the Agency is improving or declining. The Statement of Activities provides the details of how the Agency's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses"; increases in net assets are presented as "Program Revenues" or "General Revenues."

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term receipts and disbursements of "spendable" resources. For example, a governmental fund does not report capital assets in its Balance Sheet, such as buildings or equipment, since these financial resources cannot be used to pay for operating costs. Therefore, net assets reported in a governmental fund are not intended to measure its financial condition, but rather the short-term resources available for appropriation, which may be useful in evaluating a government's near-term financial requirements.

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

The Agency maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, and Capital Projects Fund. The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Assets

Table 1 below provides a summary of the Statement of Net Assets as of June 30, 2011 and 2010, which can also be found on page 12 of this report.

Table 1
Redevelopment Agency of the City of Santa Barbara
Summary of Net Assets
As of June 30, 2011 and 2010

	2011	2010
Current and other assets	$ 34,644,940	$ 93,087,916
Capital assets	-	90,650,658
Total assets	34,644,940	183,738,574
Current liabilities	1,613,467	1,339,039
Long-term liabilities	53,778,718	59,294,808
Total Liabilities	55,392,185	60,633,847
Net assets:		
Invested in capital assets, net of related debt	-	49,844,147
Restricted	32,813,066	65,633,594
Unrestricted	(53,560,311)	7,626,986
Total Net Assets	$ (20,747,245)	$ 123,104,727

As of June 30, 2011, assets for the Agency totaled $34.6 million, a decrease of approximately $149.1 million from the prior year. The majority of the decrease was due to the transfer of virtually all assets from the Agency to the City, including cash, loans receivable, and capital assets. As previously discussed, the transfer of non-capital assets stems from cooperation agreements between the City and Agency whereby the Agency is committing existing resources to fund specified capital and housing projects that will be completed by the City. The projects all meet the requirement to reduce blight as governed by State law.

Real property owned by the Agency was also transferred to the City. The largest capital asset owned by the Agency were parking structures funded by the Agency but operated by the City Downtown Parking Fund. Ownership was transferred in advance of the expected transfer in 2015 with the expiration of the Agency. Other capital assets include land, originally held for potential future redevelopment that has been transferred to the City's General Fund.

Liabilities at year-end totaled approximately $55.4 million, a $5.2 million decrease from the prior year. This is primarily due to debt service payments made during the fiscal year. The agency paid down $5.5 million of principal on outstanding tax allocation bonds. Net assets totaling -$20.7 million is the result of outstanding long-term bonds. This net deficit will be reduced over time as the debt is repaid from future tax increment revenues.

Statement of Activities

Table 2 provides a summary of the Statement of Activities for the Agency for the fiscal years ended June 30, 2011 and 2010. As shown in Table 2, revenues for the year ended June 30, 2011 totaled $20.8 million, a decrease of almost $0.7 million from 2010. Property tax increment revenues were almost $20 million, accounting for 96% of total revenues. Property tax increment revenues are generally the largest and primary source of revenues for redevelopment agencies due to the nature and financing mechanism established by State law.

Table 2
Redevelopment Agency of the City of Santa Barbara
Statement of Activities
Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Program Revenues:		
Operating grants and contributions	$ 465,002	$ 409,788
Capital grants and contributions	-	553,775
General Revenues:		
Property taxes	19,956,632	20,124,451
Investment earnings, unresticted	324,656	350,013
Other revenue	10,114	4,091
Total revenues	20,756,404	21,442,118
Expenses:		
General government*	9,782,017	12,348,158
Housing	1,990,581	1,171,044
Capital contributions to other governments	149,925,870	-
Debt service - interest	2,909,907	2,912,771
Total expenses	164,608,375	16,431,973
Increase (Decrease) in net assets	(143,851,972)	5,010,145
Transfer to City of Santa Barbara	-	(6,494,769)
Increase (decrease) in net assets	(143,851,972)	(1,484,624)
Net Assets, beginning of year	123,104,727	124,589,351
Net Assets, end of year	$ (20,747,245)	$ 123,104,727

*Non-capital improvements reclassified to general government in FY 11.

Interest earned on investments totaled $324,656 in fiscal year 2011. Interest earnings are derived from investments, including invested bond proceeds held by fiscal agents; the slight decrease from prior year is indicative of the continued low interest rate environment. Operating grants and contributions includes $0.5 million of interest on outstanding loans receivable from the Agency's home rehabilitation loan program. Interest on the housing rehabilitation loans is not affected by the interest rate environment, but by the number of loans outstanding and the interest rate contracted when the loans were made.

Expenses totaled $164.6 million, an increase of $148.2 million from the prior year mostly due to the capital contribution to the City. General government expenses of the Agency decreased by $2.5 million mostly due to a higher ERAF payment to the State of California in the prior year (the current year payment was $1.4 million). Transfers to the City totaled $149.9 million this year as a result of the cooperative agreement between the City and Agency.

ANALYSIS OF FUND FINANCIAL STATEMENTS

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

Table 3 summarizes the balance sheet of all governmental funds as of June 30, 2011, and June 30, 2010, presented on a modified accrual basis.

Table 3
Redevelopment Agency of the City of Santa Barbara
Combined Balance Sheet
As of June 30, 2011 and 2010

	2011	2010
Assets		
Cash and investments	$ 15,677,308	$ 26,164,197
Accounts receivable	-	106,457
Accrued interest receivable	-	31,122
Loans receivable	3,500,000	46,543,358
Cash and investments with fiscal agents	14,407,375	19,049,834
Total Assets	33,584,683	91,894,968
Liabilities		
Accounts payable	771,617	637,516
Deposits	-	3,000
Total Liabilities	771,617	640,516
Fund Balance		
Nonspendable:		
Loans Receivable	3,500,000	46,543,358
Restricted for:		
Capital improvements	29,313,066	35,984,506
Low and moderate income housing	-	8,726,588
Total Fund Balance	32,813,066	91,254,452
Total Liabilities and Fund Balance	$ 33,584,683	$ 91,894,968

Assets at June 30, 2011 totaled approximately $33.6 million. The largest asset category is cash and investments (including cash with fiscal agents of $14.4 million) totaling $30.1 million. The majority of the cash and investments with fiscal agents represent bond proceeds which will be used for redevelopment projects over the coming years. The balance represents funds held as a bond reserve pursuant to related bond indenture provisions for the benefit of

bondholders. Cash and investments decreased by approximately $15.1 million from the prior year, most of the decrease was due to the transfer of cash in the amount of $14.0 million to the City's newly created Economic Development Fund to continue funding redevelopment and affordable housing projects. The remainder of the decrease was used to fund capital projects and other program expenditures.

In total, fund balance decreased $58.4 million, from $91.2 million to $32.8 million. Of this decrease, $44.2 million is due to the transfer of loan receivable assets from the Agency to the City. Loans receivable includes loans provided to low and moderate-income households from the 20% of tax increment set-aside, as well as loans to non-profit developers for purposes of increasing the number of affordable housing units in the City. Per the cooperative agreement between the City and the Agency, the affordable housing loan program will continue to be managed and administered by the City. In addition, cash and investments in the amount of $14.0 million were transferred to the City's Economic Development Fund, which will be used to complete capital projects and affordable housing projects already in the works. The remaining decrease of $0.2 million was due to lower incremental property tax revenues than budgeted. Despite the decline in housing values in recent years, the Agency was realizing strong or slight growth in property tax increment revenues. For the first time since the housing market decline, the Agency reported a decrease in this revenue source.

GENERAL FUND HIGHLIGHTS

Table 4 recaps the budgeted and actual results of operations of the Agency's General Fund for the fiscal year ended June 30, 2011, including the originally adopted and final amended budget amounts. The adopted budget for revenues remained unchanged during the year at $16.3 million, which included a $16.1 million estimate for property tax increment revenues and $0.2 million for use of money and property revenue. Actual revenues for the year were virtually identical to budget at $16.3 million. Property tax revenues represent approximately 99% of total budgeted revenues; amounts are budgeted conservatively given the narrow base of revenues received by the Agency.

Expenditures (excluding transfers) were originally budgeted at $3.9 million, with the final budget increasing $1.3 million to $5.2 million. The largest increase in appropriations was a $1.1 million increase in expenditures for the Old City College Site Rehabilitation project.

As shown in Table 4, actual expenditures of $3.6 million for the year were $1.6 million below budget. Most of the variance was in the "Projects" category, representing projects that were not completed as of June 30, 2011. However, unexpended portions of the budget will be carried forward to fiscal year 2012 for their completion. The $12.4 million in the Transfers Out category includes $7.5 million transferred to the Capital Projects Fund to cover principal and interest payments on outstanding bonds. Transfers also included an additional $4.9 million for capital projects. The transfer to the City of Santa Barbara in the amount of $4.5 million is for all assets transferred from the Agency's General Fund to the City's new Economic Development Fund to carry out the activities to redevelop, revitalize and eliminate blight in the Project Area on behalf of the Agency, as previously discussed. The Agency is also obligated to reimburse the City with future tax increment funds received by the Agency pursuant to the Health & Safety Code.

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, 2011

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Property tax increment	$ 16,071,200	$ 16,071,200	$ 15,965,306	$ (105,894)
Use of money and property	187,800	187,800	291,572	103,772
Other revenue	-	-	7,500	7,500
Total Revenues	16,259,000	16,259,000	16,264,378	5,378
Expenditures				
General government:				
Supplies and services	1,670,082	1,673,881	1,558,893	114,988
Projects	2,099,100	3,461,947	2,048,984	1,412,963
Other	99,571	85,770	7,133	78,637
Total Expenditures	3,868,753	5,221,598	3,615,010	1,606,588
Excess of revenues over expenditures	12,390,247	11,037,402	12,649,368	1,611,966
Other Financing Uses				
Transfers out to City of Santa Barbara	-	(4,515,431)	(4,515,431)	-
Transfers out	(12,390,247)	(12,390,247)	(12,390,247)	-
Total other financing uses	(12,390,247)	(16,905,678)	(16,905,678)	-
Net change in fund balance	-	(5,868,276)	(4,256,310)	1,611,966
Fund balance, beginning	4,256,310	4,256,310	4,256,310	-
Fund balance, ending	$ 4,256,310	$ (1,611,966)	$ -	$ 1,611,966

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, 2011 and 2010.

At June 30, 2010, the Agency reported $90.7 million in net capital assets. During the current year the Agency completed additional capital assets in the amount of $13.5 million, totaling $104.2 million; these capital assets were transferred to the City per the multi-year cooperative agreement between the Agency and the City. The City will be responsible for the continuing use and maintenance of those capital assets.

Table 5
Redevelopment Agency of the City of Santa Barbara
Summary of Capital Assets
Net of Accumulated Depreciation
As of June 30, 2011 and 2010

	2011	2010
Land	$ -	$ 40,429,911
Equipment	-	531,486
Buildings	-	23,328,141
Building Improvements	-	821,365
Infrastructure	-	7,368,564
Improvements other than buildings	-	7,890,265
Construction in progress	-	10,280,926
Total	$ -	$ 90,650,658

Long-term Debt

As of June 30, 2011, the Agency reported $53.8 million in outstanding tax allocation bonds. The Agency issues tax allocation bonds to provide funds for the redevelopment activities of the Agency. No new debt was issued this fiscal year and the Agency made principal payments totaling $5.5 million. The Agency's outstanding debt is currently rated AAA by Moody's Investors Service and by Standard & Poor's Rating Services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary economic factor affecting the Redevelopment Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The strong real estate market from 2000 through 2007 has resulted in continued and substantial growth in revenues and, thus, allowed for the funding of important projects and activities during that period. While local real estate values have generally declined significantly over the last two years in connection with the nation-wide economic downturn and housing slump, the Agency has enjoyed slow growth in property tax increment revenues most years. The growth is due to the fact that property taxes are generally only reassessed when property changes ownership. Otherwise, taxes can only increase by the Consumer Price Index (CPI) up to a maximum of 2% per year. Therefore, revenues will decline only to the extent that actual market values fall below the assessed value. Therefore, even though prices continue to decline, the effect on property taxes can be uncertain. Over the past few years the Agency has seen a slowing of growth in property tax revenues and this appears to be a likely scenario for the next few fiscal years. Accordingly, the Agency tax increment revenues fell slightly in Fiscal Year 2010 and fell by 0.8% in Fiscal Year 2011. We do see signs of positive economic growth and have estimated a 1.5% increase in tax increment revenues for Fiscal Year 2012 to approximately $20,250,000.

The State of California continues to experience a severe budget crisis due to a myriad of issues including significant drops in many key revenues. Given the magnitude of the problem, and the history of the State's budget balancing strategies, the State has again passed a budget that proposes to eliminate redevelopment agencies (AB 1X 26) in an effort to help balance the budget. At the same time, the Legislature also passed AB 1X 27 that permits Redevelopment Agencies to come back to life if they "voluntarily" pay the State $1.7 billion this year and $400 million annually in perpetuity. This would result in the City of Santa Barbara's Redevelopment Agency paying the State approximately $7.1 million this year and $1.5 million in all remaining years. The California Redevelopment

Association and the California League of Cities have filed a lawsuit against the State of California challenging the constitutionality of these bills. The Supreme Court will be hearing the case and anticipate a decision by January 15, 2012.

REQUESTS FOR INFORMATION

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

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities
ASSETS	
Cash and investments	$ 15,677,308
Loans receivable	3,500,000
Deferred charge -issuance costs, net	1,060,257
Restricted assets:	
Cash and investments with fiscal agents	14,407,375
Total assets	34,644,940
LIABILITIES	
Current Liabilities:	
Accounts payable	771,617
Accrued interest payable	841,850
Total current liabilities	1,613,467
Noncurrent liabilities	
Bonds payable:	
Due within one year	5,705,000
Due in more than one year	48,073,718
Total noncurrent liabilities	53,778,718
Total liabilities	55,392,185
NET ASSETS	
Restricted for:	
Capital projects	32,813,066
Unrestricted	(53,560,311)
Total net assets	$ (20,747,245)

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, 2011

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets
Governmental activities:				
General government	$ 3,615,010	$ -	$ -	$ (3,615,010)
Housing	1,990,581	465,002	-	(1,525,579)
Redevelopment capital	6,167,007	-	-	(6,167,007)
Capital contributions to other governments	149,925,870	-	-	(149,925,870)
Debt service:				
Interest	2,909,907	-	-	(2,909,907)
Total governmental activities	$ 164,608,375	$ 465,002	$ -	(164,143,373)
General revenues:				
Property taxes				19,956,632
Investment earnings, unrestricted				324,656
Other revenue				10,114
Total general revenues and transfers				20,291,402
Change in net assets				(143,851,972)
Net assets, beginning of year				123,104,727
Net assets, end of year				$ (20,747,245)

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

Assets	General	Special Revenue	Capital Projects	Total Governmental Funds
Cash and investments	$ -	$ -	$ 15,677,308	$ 15,677,308
Loans receivable	-	-	3,500,000	3,500,000
Restricted assets:				
Cash and investments with fiscal agent	-	-	14,407,375	14,407,375
Total assets	$ -	$ -	$ 33,584,683	$ 33,584,683
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ 771,617	$ 771,617
Total liabilities	-	-	771,617	771,617
Fund Balances:				
Nonspendable:				
Loans Receivable	-	-	3,500,000	3,500,000
Restricted for:				
Capital improvements	-	-	29,313,066	29,313,066
Total fund balances	-	-	32,813,066	32,813,066
Total liabilities and fund balances	$ -	$ -	$ 33,584,683	$ 33,584,683

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE ACTIVITIES IN THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2011

Total governmental fund balances (page 14)	$	32,813,066
Amounts reported for governmental activities in the statement of net assets are different because:		
Costs incurred to issue bonds are an expenditure in the governmental fund but they must be reported as deferred issuance costs in the government-wide financial statements.		1,060,257
Governmental liabilities are not due and payable in the current period and, therefore, are not reported in the funds		(53,410,000)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest is recorded when incurred in the government-wide financial statements.		(841,850)
The effect of premiums and discounts on debt issues are reported by governmental funds when the debt is first issued but these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt in the government-wide financial statements.		
Bond premium		(585,026)
Bond discount		216,308
Net assets of governmental activities (page 12)	$	(20,747,245)

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, 2011

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenues:				
Incremental property taxes	$ 15,965,306	$ 3,991,326	$ -	$ 19,956,632
Use of money and property	291,572	516,175	(18,089)	789,658
Other revenues	7,500	2,604	10	10,114
Total revenues	16,264,378	4,510,105	(18,079)	20,756,404
Expenditures:				
Current:				
General government				
Supplies and services	1,558,893	-	-	1,558,893
Projects	2,048,984	-	4,096,439	6,145,423
Other expenditures	7,133	-	-	7,133
Total general government	3,615,010	-	4,096,439	7,711,449
Housing:				
Supplies and services	-	838,666	-	838,666
Projects	-	1,150,650	-	1,150,650
Other expenditures	-	1,265	-	1,265
Total housing	-	1,990,581	-	1,990,581
Debt service:				
Principal	-	480,000	4,990,000	5,470,000
Interest	-	156,595	2,523,384	2,679,979
Capital Outlay:				
Projects	-	-	3,177,475	3,177,475
Total expenditures	3,615,010	2,627,176	14,787,298	21,029,484
Excess (deficiency) of revenues over (under) expenditures	12,649,368	1,882,929	(14,805,377)	(273,080)
Other financing sources (uses):				
Transfers out to the City of Santa Barbara	(4,515,431)	(53,652,875)	-	(58,168,306)
Transfers in	-	-	12,390,247	12,390,247
Transfers out	(12,390,247)	-	-	(12,390,247)
Total other financing sources (uses)	(16,905,678)	(53,652,875)	12,390,247	(58,168,306)
Net change in fund balances	(4,256,310)	(51,769,946)	(2,415,130)	(58,441,386)
Fund balances, beginning of fiscal year	4,256,310	51,769,946	35,228,196	91,254,452
Fund balances, end of fiscal year	$ -	$ -	$ 32,813,066	$ 32,813,066

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, 2011

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)		$ (58,441,386)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for general capital assets, infrastructure, and other related capital	$ 3,177,475	
Less current year depreciation	(2,070,569)	1,106,906
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.		5,470,000
Amortization of deferred debt issuance costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(132,691)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond preimum	73,128	
Bond discount	(27,038)	46,090
Governmental Funds report interest on long-term debt as expenditures are paid, whereas these amounts are accrued and reportedin the period when the liability exists in the statement of activities.		
Prior year accrued interest	698,523	
Current year accrued interest	(841,850)	(143,327)
Net capital assets in the Redevelopment Agency were transferred to the City of Santa Barbara. This transaction is reflected as a transfer out in the statement of activities.		(91,757,564)
Net change in net assets of governmental activities (page 13)		$ (143,851,972)

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

Government-wide financial statements

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are

recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Fund Financial Statements

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

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

The Agency reports the following major governmental funds:

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

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

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

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

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

D. Cash and Investments

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

The Agency considers cash and investments with fiscal agents to be cash equivalents on all investments with an original maturity of less than three months. Investments are reported in the accompanying basic financial statements within the "cash and investments" classification. The Agency has developed a formal investment

policy that exceeds the minimum requirements established by the State of California. The Agency believes that it has adhered to established policies for all investment activities. All investments are stated at fair value.

E. Incremental Property Tax

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

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

F. Risk Management

For purposes of general liability, the Agency is covered under the City of Santa Barbara's self-insurance plan and pays premiums to the City for this coverage. Information regarding the City's self-insurance plan can be found in the City of Santa Barbara's Comprehensive Annual Financial Report under Note 12. As of June 30, 2011, management is not aware of any outstanding claims that would require accrual.

G. Low and Moderate Income Housing

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

H. Restricted Assets

The Agency has funds held by trustees or fiscal agents pledged to the payment or security of bonds and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agents may make.

I. 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.

J. Long-Term Obligations

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

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

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, excluding unexpended proceeds that are attributable to the acquisition, construction or improvement of these assets reduce this category.

- *Restricted Net Assets* – This category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, and Specific Projects and Programs as established by the City Council.

- *Unrestricted Net Assets* – This category represents the net assets of the Agency, which are not restricted for any project or other purpose.

In the fund financial statements, governmental funds report the following fund balance classification:

- *Nonspendable* – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Restricted* – Includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

- *Committed* – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the Agency Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Agency Board.

- *Assigned* – Includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Executive Director and Fiscal Officer are authorized to assign amounts to a specific purpose.

- *Unassigned* – Includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or Unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$ 15,677,308
Cash and investments with fiscal agents	14,407,375
Total cash and investments	$ 30,084,683

Cash and investments as of June 30, 2011 consist of the following:

Demand deposit accounts with financial institutions	$ 383,490
Investments	29,701,193
Total cash and investments	$ 30,084,683

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

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

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

Investment Type		Weighted Avg. Maturity (in years)
State Local Agency Investment Fund	$15,677,308	N/A
Held by bond trustee:		
Money market funds	14,407,375	N/A
Total	$30,084,683	

Disclosures Relating to Credit Risk

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

Investment Type		Minimum Legal Rating	Unrated
LAIF	$15,677,308	N/A	$15,677,308
Held by fiscal agents:			
Money market funds	14,407,375	N/A	14,407,375
Total	$30,084,683		$30,084,683

Disclosures Relating to Concentration of Credit Risk

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

Disclosures Relating to Custodial Credit Risk

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

value of 150% of the secured public deposits. As of June 30, 2010, no Agency investments were held by the safekeeping department of the broker-dealer (counterparty) used by the Agency to buy the securities.

On Aug. 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on Aug. 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. In addition, the ratings on 126 Federal Deposit Insurance Corp.–guaranteed debt issues from 30 financial institutions under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) have also been downgraded to AA+ from AAA. The Agency invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

Investment in Local Agency Investment Fund

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

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Beginning Balance June 30, 2010	Increases	Decreases	Ending Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 40,429,911	$ -	$ 40,429,911	$ -
Construction in progress	10,280,926	3,177,475	13,458,401	-
Total capital assets, not being depreciated	50,710,837	3,177,475	53,888,312	-
Capital assets being depreciated:				
Buildings	26,340,653	-	26,340,653	-
Building Improvements	889,167	5,121,985	6,011,152	-
Improvements other than buildings	26,719,886	3,758,862	30,478,748	-
Equipment	603,501	-	603,501	-
Infrastructure	8,828,549	3,523,004	12,351,553	-
Total capital assets being depreciated	63,381,756	12,403,851	75,785,607	-
Less accumulated depreciation for:				
Buildings	(3,012,512)	(658,516)	(3,671,028)	-
Building Improvements	(67,802)	(86,254)	(154,056)	-
Improvements other than buildings	(18,829,621)	(983,496)	(19,813,117)	-
Equipment	(72,015)	(13,094)	(85,109)	-
Infrastructure	(1,459,985)	(329,209)	(1,789,194)	-
Total accumulated depreciation	(23,441,935)	(2,070,569)	(25,512,504)	-
Total capital assets, being depreciated, net	39,939,821	10,333,282	50,273,103	-
Governmental activities capital assets, net	$ 90,650,658	$ 13,510,757	$ 104,161,415	$ -

During the year, all capital assets pertained to the General Governmental function of the Agency, accordingly, depreciation expense of $2,070,569 was charged to the General Governmental Function of the Agency. At June 30, 2011, all Capital Assets were transferred to the City of Santa Barbara.

NOTE 4. INTERFUND TRANSFERS

	Transfer In:	
Transfer Out:	Agency Capital Projects	Total
Agency General Fund	$ 12,390,247	$ 12,390,247
Total Transfers	$ 12,390,247	$ 12,390,247

The inter-fund transfers are transfers from the Agency General Fund to the Capital Projects Fund for debt service payments on behalf of the Agency and Agency projects; $7.5 million was recorded to provide funds for the repayment of debt, and $4.9 was recorded to provide funds for capital projects.

NOTE 5. LONG-TERM DEBT

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

GASB 48 Disclosure – Pledging of revenues: Annual principal and interest payments on the tax allocation bonds are expected to require approximately 45% of net tax increment revenues. The total principal and interest remaining to be paid on the Bonds is $65,165,753 as of June 30, 2011. For the current year, principal and interest paid on the Bonds was $8,149,979 and property tax increment net revenues were $19,956,632. The Bonds required 41% of net tax increment revenues.

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

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding Balance June 30, 2011
Tax allocation bonds:					
2001 Series A	4.125 - 5.00%	07/25/01	03/01/19	$ 38,855,000	$ 29,610,000
2003 Series A	4.000 - 5.00%	12/18/03	03/01/19	34,810,000	19,395,000
2004 Series A	2.000 - 5.00%	07/01/04	07/01/19	7,150,000	4,405,000
Total				$ 80,815,000	$ 53,410,000

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance 07/01/10	Additions	Retirements	Balance 06/30/11	Due Within One Year	Due in More Than One Year
Tax allocation bonds:						
2001 Series A	$ 32,625,000	$ -	$ 3,015,000	$ 29,610,000	$ 3,140,000	$ 26,470,000
2003 Series A	21,370,000	-	1,975,000	19,395,000	2,075,000	17,320,000
2004 Series A	4,885,000	-	480,000	4,405,000	490,000	3,915,000
Unamortized debt premium	658,154	-	73,128	585,026	-	585,026
Unamortized debt discount	(243,346)	-	(27,038)	(216,308)	-	(216,308)
Total	$ 59,294,808	$ -	$ 5,516,090	$ 53,778,718	$ 5,705,000	$ 48,073,718

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

	Principal Payments			
Fiscal Year Ending	2001 Tax Allocation	2003 Tax Allocation	2004 Tax Allocation	Total
2012	3,140,000	2,075,000	490,000	5,705,000
2013	3,280,000	2,140,000	505,000	5,925,000
2014	3,430,000	2,245,000	520,000	6,195,000
2015	3,585,000	2,360,000	540,000	6,485,000
2016	3,760,000	2,470,000	560,000	6,790,000
2017 - 2019	12,415,000	8,105,000	1,790,000	22,310,000
Principal payments outstanding	29,610,000	19,395,000	4,405,000	53,410,000

Fiscal Year Ending	Interest Payments			Total
2012	1,406,185	894,080	142,765	2,443,030
2013	1,271,165	821,455	127,840	2,220,460
2014	1,123,565	714,455	111,815	1,949,835
2015	965,785	602,205	94,185	1,662,175
2016	797,290	484,205	75,485	1,356,980
2017 - 2019	1,257,560	764,215	101,498	2,123,273
Interest payments outstanding	6,821,550	4,280,615	653,588	11,755,753
Net Debt Service Obligation	$ 36,431,550	$ 23,675,615	$ 5,058,588	$ 65,165,753

The Agency has complied with all significant bond covenants.

NOTE 6. 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 7. 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, 2011, the Refunding Certificates of Participation have an outstanding balance of $14,425,000.

NOTE 8 –SUBSEQUENT EVENT

In June 2011, the Agency approved a loan to Bradley Studios L.P., in the amount of $3,600,000 from Affordable Housing set aside funds for the purpose of developing property at 512-518 Bath Street. The project will include construction of a new residential structure with 53 studio units affordable to low and very low income persons, plus a recreation room and community center. As of June 30, 2011, the loan funds had not yet been released to the borrower.

NOTE 9: CALIFORNIA REDEVELOPMENT AGENCY UNCERTAINTY

On July 18, 2011, the California Redevelopment Association ("CRA") and the League of California Cities ("League") filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB1X 26 and 27. AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27, give redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amount to a state-wide total of $1.7 billion. In 2012-13 and subsequent years, the payments total $400 million, annually. Each city or county's share of these payments is determined based on its proportionate share of state-wide tax increment.

CRA and the League contend that AB1X 26 and 27 are unconstitutional because they violate Proposition 22 which was passed by the voters in November, 2010. The effect of the legislation is to achieve a possible unconstitutional result, the use of redevelopment agencies' tax increment funds to benefit the State and other units of local government, by way of threatening of the dissolution of redevelopment agencies.

Therefore, the CRA and the League have requested that the Court issue a stay, suspending the effectiveness of AB1X 26 and 27 until the Court can rule on its constitutionality. CRA and the League also asked the Court to expedite the briefing and hearing of the case so that a decision can be rendered by the Court before January 15, 2012, when the first payments are due. On August 11th, the California Supreme Court agreed to hear the case and granted a partial stay which was subsequently clarified.

As of the time of the issuance of this report, the outcome of AB1X 26 and 27 upon the Agency is unknown and consequently the status and even future existence of the Agency is uncertain as such. In accordance with AB1X 27, the Agency has passed a resolution of intent to continue and will be required to make a payment to the State by January 15, 2012 to avoid dissolution. The Department of Finance issued their estimated payment amounts and the Agency filed an appeal regarding the calculation. The Department of Finance reviewed the Agency's appeal regarding the calculation and on October 15, 2011 determined the estimated payment [stands without revision OR will be revised], resulting in a payment amount of $935,311.

NOTE 10: TRANSACTIONS WITH THE STATE OF CALIFORNIA

SERAF Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010 the Sacramento Superior Court upheld the legislation.

The payment of the SERAF was due on May 10, 2010 for fiscal year 2009-2010 and it was made in the amount of $6,824,914. The second and final payment was due on May 10, 2011 for fiscal year 2010-2011 and was made in the amount of $1,405,129. The legislation allowed these payments to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body. Any amounts borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) are to be repaid by June 30, 2015. If those amounts are not repaid, by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

To accomplish the payment, the Agency utilized $8,230,043 from its available resources, in the accompanying financial statements, the amount paid to the State has been reported as a use of current year resources.

NOTE 11: COMPUTATION OF LMI HOUSING FUNDS EXCESS/SURPLUS

Pursuant to Government Code Section 33080.7 and 33334.12(g)(1), a report on Housing Funds Excess Surplus is required on the first day of a fiscal year. Excess surplus exists when fund balance exceeds the greater of: (1) $1,000,000 or (2) the aggregate amount of tax increment deposited to the Housing Fund during the prior four fiscal years. As shown on the table below, the Agency did not report any excess surplus for the current year.

	Low and Moderate Housing Funds - All Project Areas July 1, 2010		Low and Moderate Housing Funds - City of Santa Barbara July 1, 2011	
Opening Fund Balance		$ 51,769,946		$ 53,652,875
Less Unavailable Amounts:				
Rehabilitation loans	(43,043,358)		(44,161,506)	
		(43,043,358)		(44,161,506)
Available Low and Moderate Income Housing Funds		8,726,588		9,491,369
Limitation (greater of $1,000,000 or four years set-aside)				
Set-Aside for last four years:				
2010 - 2011	$ -		$ 3,991,326	
2009 - 2010	4,024,890		4,024,890	
2008 - 2009	4,007,579		4,007,579	
2007 - 2008	3,616,192		3,616,192	
2006 - 2007	3,366,153		-	
Total	**$ 15,014,814**		**$ 15,639,987**	
Base Limitation	**$ 1,000,000**		**$ 1,000,000**	
Greater amount		$ 15,014,814		$ 15,639,987
Computed Excess/Surplus		**None**		**None**

Notes to the Required Supplementary Information

BUDGETARY INFORMATION

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

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

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Housing Special Revenue Fund. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they represent financial obligations for goods and services received through June 30, 2011, 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, 2011

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
For the Year Ended June 30, 2011

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Incremental property tax	$ 16,071,200	$ 16,071,200	$ 15,965,306	$ (105,894)
Use of money and property	187,800	187,800	291,572	103,772
Other Revenue	-	-	7,500	7,500
Total Revenues	16,259,000	16,259,000	16,264,378	5,378
EXPENDITURES				
Current:				
General government:				
Supplies and services	1,670,082	1,673,881	1,558,893	114,988
Projects	2,099,100	3,461,947	2,048,984	1,412,963
Other expenditures	99,571	85,770	7,133	78,637
Total Expenditures	3,868,753	5,221,598	3,615,010	1,606,588
Excess of revenues over expenditures	12,390,247	11,037,402	12,649,368	1,611,966
OTHER FINANCING USES				
Transfers out to the City of Santa Barbara	-	(4,515,431)	(4,515,431)	-
Transfers out	(12,390,247)	(12,390,247)	(12,390,247)	-
Total other financing uses	(12,390,247)	(16,905,678)	(16,905,678)	-
Net change in fund balance	-	(5,868,276)	(4,256,310)	1,611,966
Fund balance, beginning of fiscal year	4,256,310	4,256,310	4,256,310	-
Fund balance, end of fiscal year	$ 4,256,310	$ (1,611,966)	$ -	$ 1,611,966

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2011

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
For the Year Ended June 30, 2011

	Housing Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Incremental property tax	$ 4,017,800	$ 4,017,800	$ 3,991,326	$ (26,474)
Use of money and property	260,000	260,000	516,175	256,175
Other Revenue	-	-	2,604	2,604
Total Revenues	4,277,800	4,277,800	4,510,105	232,305
EXPENDITURES				
Current:				
Housing:				
Supplies and services	882,717	932,717	838,666	94,051
Projects	2,677,188	9,148,126	1,150,650	7,997,476
Other expenditures	81,300	81,300	1,265	80,035
Debt Service:				
Principal	480,000	480,000	480,000	-
Interest	156,595	156,595	156,595	-
Total Expenditures	4,277,800	10,798,738	2,627,176	8,171,562
Excess of revenues over expenditures	-	(6,520,938)	1,882,929	8,403,867
OTHER FINANCING USES				
Transfers out to the City of Santa Barbara	-	(53,652,875)	(53,652,875)	-
Net change in fund balance	-	(60,173,813)	(51,769,946)	8,403,867
Fund balance, beginning of fiscal year	51,769,946	51,769,946	51,769,946	-
Fund balance, end of fiscal year	$ 51,769,946	$ (8,403,867)	$ -	$ 8,403,867

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

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.

Contents **Page**

Financial Trends 34

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

Revenue Capacity 40

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

Debt Capacity 44

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

Demographic and Economic Information 49

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

Operating Information 51

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

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	$ 31,019	$ 33,161	$ 40,454	$ 45,688	$ 42,215	$ 42,013	$ 46,422	$ 53,142	$ 49,844	$ -
Restricted	36,902	39,013	37,010	45,299	41,154	43,727	49,706	57,472	65,634	32,813
Unrestricted	5,221	6,424	7,770	1,460	10,802	13,660	14,883	13,975	7,627	(53,560)
Total governmental activities net assets	$ 73,142	$ 78,598	$ 85,234	$ 92,447	$ 94,171	$ 99,400	$ 111,011	$ 124,589	$ 123,105	$ (20,747)

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

	Fiscal Year									
Expenses	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Governmental activities:										
General government	$ 2,780	$ 4,976	$ 3,893	$ 4,390	$ 3,941	$ 2,515	$ 3,108	$ 2,413	$ 4,614	$3,615
Housing	376	703	1,232	673	2,585	1,151	1,383	1,518	1,171	1,991
Redevelopment capital	918	976	992	136	7,873	6,613	2,556	2,551	7,734	6,167
Capital contributions to other governments	-	-	-	-	-	-	-	-	-	149,925
Interest on long-term debt	3,352	3,133	2,519	3,886	3,823	3,579	3,344	3,049	2,913	2,910
Total governmental activities expenses	7,426	9,788	8,636	9,085	18,222	13,858	10,391	9,531	16,432	164,608
Program Revenues										
Governmental activities:										
Operating grants and contributions	441	403	316	238	640	193	325	592	410	465
Capital grants and contributions	-	-	-	-	-	-	-	-	554	-
Total governmental activities program revenues	441	403	316	238	640	193	325	592	964	465
Net (expense)										
Governmental activities	(6,985)	(9,385)	(8,320)	(8,847)	(17,582)	(13,665)	(10,066)	(8,939)	(15,468)	(164,143)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property	11,853	12,774	12,862	13,858	15,179	16,731	18,081	20,038	20,124	19,957
Investment income	2,566	2,056	2,092	2,116	1,978	2,137	3,117	2,147	350	324
Other revenue	4	11	2	86	2,056	26	479	332	4	10
Transfers to City of Santa Barbara	-	-	-	-	-	-	-	-	(6,495)	-
Total governmental activities	14,423	14,841	14,956	16,060	19,213	18,894	21,677	22,517	13,983	20,291
Change in Net Assets										
Governmental activities	$ 7,438	$ 5,456	$ 6,636	$ 7,213	$ 1,631	$ 5,229	$ 11,611	$ 13,578	$ (1,485)	$(143,852)

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

Fiscal Year	Property Tax
2002	$ 11,853
2003	12,774
2004	12,862
2005	13,858
2006	15,179
2007	16,731
2008	18,081
2009	20,038
2010	20,124
2011	19,957

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	$ 5,332	$ 3,956	$ 3,716	$ 3,132	$ 5,658	$ 7,887	$ 8,132	$ 7,117	$ 4,256	$ -
All other governmental funds										
Reserved	73,583	77,039	105,987	106,464	88,478	82,972	87,793	91,026	86,998	32,813
Total Fund Balance	$ 78,915	$ 80,995	$109,703	$109,596	$ 94,136	$ 90,859	$ 95,925	$ 98,143	$ 91,254	$ 32,813

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Incremental property taxes	$ 11,853	$ 12,851	$ 12,945	$ 13,946	$ 15,273	$ 16,831	$ 18,081	$ 20,038	$ 20,124	$ 19,957
Use of money and property	2,570	2,460	2,408	2,354	2,618	2,330	3,276	2,618	674	790
Other revenues	4	11	2	120	2,056	26	645	453	644	10
Total revenues	14,427	15,322	15,355	16,420	19,947	19,187	22,002	23,109	21,442	20,757
Expenditures										
Supplies and services	1,366	1,474	1,627	1,820	2,066	2,271	2,343	2,421	2,562	2,398
Projects	4,589	4,508	4,120	13,206	25,120	11,275	6,320	9,933	16,850	10,474
Other expenditures	75	36	38	19	14	11	77	420	9	8
Debt service										
Principal	4,345	3,985	5,210	4,535	5,190	5,350	4,845	5,100	6,035	5,470
Interest	2,777	3,239	3,109	3,792	3,767	3,557	3,336	3,011	2,875	2,680
Other charges	-	-	941	305	-	-				
Total expenditures	13,152	13,242	15,045	23,677	36,157	22,464	16,921	20,885	28,331	21,030
Excess of revenues over (under) expenditures	1,275	2,080	310	(7,257)	(16,210)	(3,277)	5,081	2,224	(6,889)	(273)
Other financing sources (uses)										
Transfers in	14,420	8,315	9,502	9,015	8,213	12,571	12,491	15,269	9,757	12,390
Transfers out *	(14,424)	(8,315)	(9,502)	(9,015)	(8,213)	(12,571)	(12,506)	(15,274)	(9,757)	(70,558)
Proceeds from bond issuance	37,810	-	28,398	7,150	-	-	-	-	-	-
Total other financing sources (uses)	37,806	-	28,398	7,150	-	-	(15)	(5)	-	(58,168)
Net change in fund balances	$ 39,081	$ 2,080	$ 28,708	$ (107)	$(16,210)	$ (3,277)	$ 5,066	$ 2,219	$ (6,889)	$(58,441)
Debt service as a percentage of noncapital expenditures	83.2%	82.7%	83.3%	81.9%	81.2%	79.6%	77.2%	74.1%	77.6%	77.2%

* In FY 2011, the transfers out amount reflects capital assets transferred to the City of Santa Barbara.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Incremental property taxes	$ 11,853	$ 12,851	$ 12,945	$ 13,946	$ 15,273	$ 16,831	$ 18,081	$ 20,038	$ 20,124	$ 19,957

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

Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2002	$1,094,347	$ 227,297	$ (54,310)	$1,267,334	1.00%
2003	1,164,940	237,653	(55,639)	1,346,954	1.00%
2004	1,218,914	248,409	(77,833)	1,389,490	1.00%
2005	1,303,295	250,008	(82,652)	1,470,651	1.00%
2006	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	1,651,716	301,018	(116,640)	1,836,094	1.00%
2009	1,851,532	336,783	(150,558)	2,037,757	1.00%
2010	1,938,383	342,544	(166,008)	2,114,919	1.00%
2011	1,918,388	353,339	(166,018)	2,105,709	1.00%

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

Sources: Santa Barbara County Auditor-Controller

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

	Direct Rates	Overlapping Rates		
Fiscal Year	General	City Bonds	Schools Bonds	Total
2002	1.000	-	0.028	1.028
2003	1.000	-	0.027	1.027
2004	1.000	-	0.025	1.025
2005	1.000	-	0.021	1.021
2006	1.000	-	0.026	1.026
2007	1.000	-	0.026	1.026
2008	1.000	-	0.026	1.026
2009	1.000	-	0.035	1.035
2010	1.000	-	0.035	1.035
2011	1.000	-	0.035	1.035

Sources: Santa Barbara County Auditor-Controller

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

	Fiscal Year 2011		Fiscal Year 2002	
Taxpayer	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Paseo Nuevo Association[1]	$ 86,419	4.10%	$ 73,299	5.78%
Fess Parker Doubletree Hotel	82,095	3.90%	69,970	5.52%
Levon Investments, LLC	34,196	1.62%	-	0.00%
Chapala One, LLC	32,500	1.54%	-	0.00%
Due West, LLC	31,826	1.51%	-	0.00%
Ralphs Grocery Co	25,892	1.23%	-	0.00%
Ella Paseo, LLC	21,000	1.00%	-	0.00%
ESJ Centers	19,428	0.92%	23,447	1.85%
1111 Chapala St., LLC	17,470	0.83%	-	0.00%
Mahboob, Ray	17,423	0.83%	-	0.00%
Heiner, Gerald A Trust	-	0.00%	17,427	1.38%
Ampersand Publishing, LLC	16,078	0.76%	15,618	1.23%
Sima El Paseo, LP	11,273	0.54%	13,566	1.07%
1129 State Street	11,486	0.55%	13,160	1.04%
Chapala St. Investors	-	0.00%	12,522	0.99%
State Street Properties	13,000	0.62%	12,504	0.99%
Beach Motel Partners	-	0.00%	11,819	0.93%
	$ 420,086	19.33%	$263,332	20.78%

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

Sources: Santa Barbara County Auditor-Controller

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	$ 11,853	$ 11,853	100%	-	$ 11,853	100%
2003	12,774	12,774	100%	-	12,774	100%
2004	12,862	12,862	100%	-	12,862	100%
2005	13,858	13,858	100%	-	13,858	100%
2006	15,179	15,179	100%	-	15,179	100%
2007	16,731	16,731	100%	-	16,731	100%
2008	18,081	18,081	100%	-	18,081	100%
2009	20,038	20,038	100%	-	20,038	100%
2010	20,124	20,124	100%	-	20,124	100%
2011	19,957	19,957	100%	-	19,957	100%

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

Fiscal Year	Tax Allocation Bonds	Loans	Total	Percentage of Personal Income[1]	Per Capita[1]
2002	$ 63,660	$ -	$ 63,660	0.49%	$ 702
2003	59,675	-	59,675	0.46%	660
2004	82,035	-	82,035	0.60%	906
2005	84,650	750	85,400	0.55%	943
2006	79,460	750	80,210	0.49%	896
2007	74,110	750	74,860	0.44%	837
2008	69,265	750	70,015	0.38%	775
2009	64,165	750	64,915	0.33%	719
2010	58,880	-	58,880	0.31%	648
2011	53,410	-	53,410	0.28%	598

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

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

Fiscal Year	Tax Allocation Bonds	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value[1] of Property	Per Capita[2]
2002	$ 63,660	$ -	$ 4,812	$ 58,848	4.64%	$ 649
2003	59,675	-	4,767	54,908	4.08%	607
2004	82,035	-	687	81,348	5.85%	898
2005	84,650	750	690	84,710	5.76%	936
2006	79,460	750	696	79,514	5.04%	888
2007	74,110	750	699	74,161	4.31%	829
2008	69,265	750	-	70,015	3.81%	775
2009	64,165	750	-	64,915	3.19%	719
2010	58,880	-	-	58,880	2.78%	648
2011	53,410	-	-	53,410	2.54%	598

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

[1] See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 40 for property value data.

[2] Population data can be found in the Schedule of Demographic and Economic Statistics on page 49.

Redevelopment Agency of the City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2011
(amounts expressed in thousands)

2010-11 Redevelopment Agency Incremental Valuation	$ 2,271,727

Overlapping Debt Repaid with Property Taxes	**Debt Outstanding**	**Estimated Percentage Applicable[1]**	**Estimated Share of Overlapping Debt**
Santa Barbara Unified Elementary Bonds	$ 39,988	13%	$ 5,362
Santa Barbara Unified High School Bonds	82,739	6%	4,846
Santa Barbara City College Bonds	44,905	5%	2,309
Total overlapping debt repaid with property taxes	$ 167,632		$ 12,518
Direct and Overlapping General Obligation Debt			
Santa Barbara County Certificates of Participation	$ 77,830	4%	$ 2,857
City of Santa Barbara Certificates of Participation	3,175	14%	447
Total direct and overlapping general obligation debt	$ 81,005		$ 3,304
Total direct and overlapping debt			$ 15,822
Ratio to 2010-11 Redevelopment Incremental Valuation			
Total direct and overlapping debt			0.70%

Notes:

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

[1] Assessed valuation estimates for the Agency, City and County were used to calculate the estimated percentage applicable of the overlapping debt. Assessed valuation (in millions) for the City is $16,134; County is $61,884. The school district and City College estimated percentages were calculated by multiplying the City's percentages by the ratio of Agency to City assessed valuation. The City's percentages were obtained from the County of Santa Barbara.

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									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Assessed valuation	$ 1,321,644	$ 1,402,593	$ 1,467,323	$ 1,553,303	$ 1,671,786	$ 1,820,473	$ 1,952,734	$ 2,188,315	$ 2,280,927	$ 2,271,727
Coverage percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	330,411	350,648	366,831	388,326	417,947	455,118	488,184	547,079	570,232	567,932
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	49,562	52,597	55,025	58,249	62,692	68,268	73,228	82,062	85,535	85,190
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 49,562	$ 52,597	$ 55,025	$ 58,249	$ 62,692	$ 68,268	$ 73,228	$ 82,062	$ 85,535	$ 85,190
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	Tax Allocation Bonds			
Fiscal Year	Tax Increment	Debt Service Principal	Debt Service Interest	Coverage
2002	$ 11,853	$ 4,345	$ 2,739	1.67
2003	12,851	3,985	3,239	1.78
2004	12,945	5,210	3,075	1.56
2005	13,946	4,535	3,701	1.69
2006	15,273	5,190	3,733	1.71
2007	16,831	5,350	3,522	1.90
2008	18,081	4,845	3,302	2.22
2009	20,038	5,100	3,053	2.46
2010	20,124	5,285	2,700	2.52
2011	19,957	5,470	2,680	2.45

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

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

Fiscal Year	City Population [1]	Personal Income (in millions) [2]	Per Capita Personal Income [2]	June 30 Unemployment Rate [3]
2002	90,696	$ 13,107	$ 32,693	4.9%
2003	90,464	13,059	32,496	5.0%
2004	90,569	13,677	33,942	4.6%
2005	90,518	15,382	38,313	4.1%
2006	89,548	16,308	40,486	4.0%
2007	89,456	17,810	42,385	4.2%
2008	90,305	19,020	46,120	5.1%
2009	90,308	19,740	48,693	8.2%
2010	90,893	18,976	46,619	8.3%
2011	89,253	19,262	45,353	8.9%

Notes:

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

Sources:

(1) California Department of Finance, Demographic Research Unit

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

(3) California Employment Development Department

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

	As of June 30, 2011	As of June 30, 2002
Employer	**Number of Employees**	**Number of Employees**
University of California, Santa Barbara	9,723	9,500
County of Santa Barbara	4,025	4,215
Santa Barbara Cottage Hospital	2,500	1,951
Santa Barbara City College	2,000	1,570
Santa Barbara High School District	1,800	1,230
Sansum Medical Foundation Clinic	1,500	1,170
Raytheon Electronic Systems	1,450	1,875
City of Santa Barbara	1,013	1,069
US Postal Service	1,000	1,005
Santa Barbara Bank & Trust	950	820
Ten largest companies or organizations	25,961	24,405

Sources: Santa Barbara Chamber of Commerce, County of Santa Barbara, City of Santa Barbara, Santa Barbara County Economic Outlook, published by the UCSB Economic Forecast Project.

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 Six Fiscal Years

Function	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
General government												
Number and amount of grants issued to local nonprofit agencies	4	$ 381,072	9	$ 623,024	9	$ 971,104	7	$ 194,880	3	$ 440,477	1	$ 1,500
Housing												
Number and amount of loans or grants issued to nonprofit housing developers for construction of low income rental units	3	$ 4,176,703	3	$ 4,822,408	1	$ 4,880,762	4	$ 329,678	5	$2,597,120	6	$6,735,000
Capital												
Number and amount of grants issued to nonprofit housing developers for construction of low income senior housing or other communtiy construction	1	$ 7,054,614	1	$ 3,000,000	1	$ 60,000	1	$ 404,000	N/A	$ -	N/A	$ -

Source: Redevelopment Agency of the City of Santa Barbara

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

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

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
General government						
Number of Redevelopment Agency-owned property parcels	49	51	55	54	54	0
Total combined square footage	1,719,748	1,464,052	1,772,583	1,582,099	1,582,099	0

Source: Redevelopment Agency of the City of Santa Barbara

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

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

Compliance and Internal Control Section

Compliance and Internal Control Section

LSL
CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
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- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Chair and Members of the Governing Board
Redevelopment Agency of the City of Santa Barbara
City of Santa Barbara, California

Compliance

We have audited Redevelopment Agency of the City of Santa Barbara's (Agency) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on redevelopment program has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the redevelopment program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

LSL
CERTIFIED PUBLIC ACCOUNTANTS

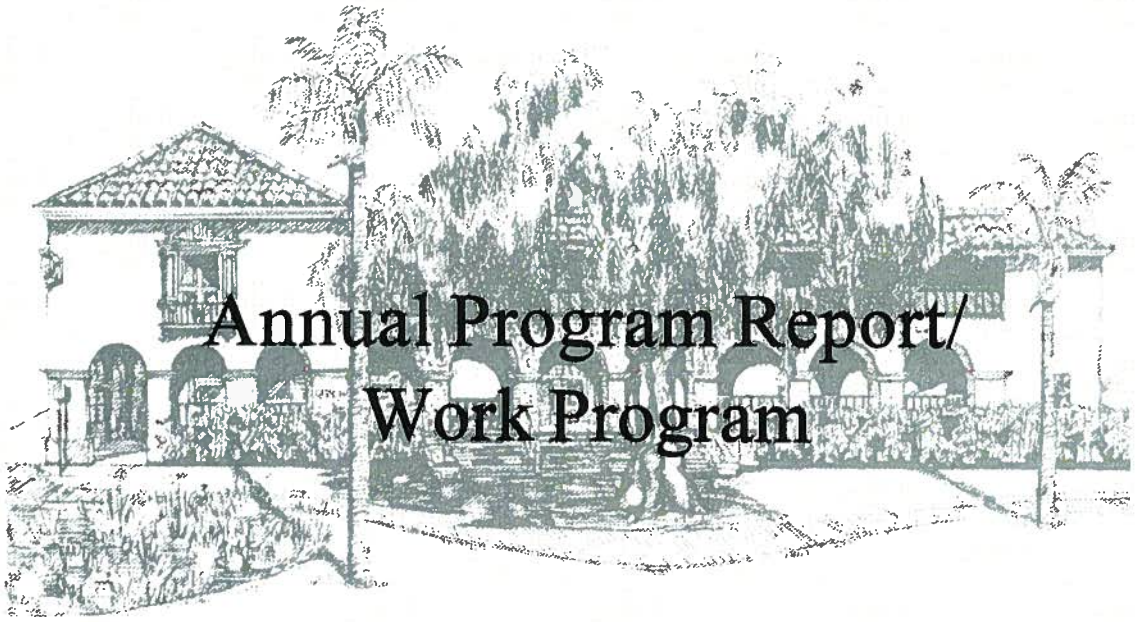
To the Honorable Chair and Members of the Governing Board
Redevelopment Agency of the City of Santa Barbara

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

This report is intended for the information of management, the Audit Committee, and the California State Controller and it is not intended to be and should not be used by anyone other then these specified parties.

Lance, Soll & Lunghard, LLP

Brea, California
November 23, 2011



Annual Program Report/ Work Program

Annual Program Report/Work Program

INTRODUCTION

This report, covering Fiscal Year ending June 30, 2011, 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 2011.

CENTRAL CITY REDEVELOPMENT PROJECT AREA

FIRE STATION #1 ADMINISTRATION ANNEX (2003A BOND)

On March 1, 2011, the Redevelopment Agency Board approved funding totaling approximately $2,350,000 for the renovation of a former City-owned muffler shop into the administrative headquarters of the Fire Department. The remodeled annex space will be used to house the Fire Department administrative staff. The work will include seismic, mechanical, and electrical upgrades, as well as Americans with Disabilities Act improvements. The annex remodel is occurring while the adjacent Fire Station No. 1 remains operational. This project will be LEED commissioned and is due to be complete in October 2011.

WEST DOWNTOWN IMPROVEMENT PROGRAM (2003A BOND)

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

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

Construction was completed in September 2010. The Agency allocated $3.75 million from its 2003A bond proceeds for this program.

LOWER WEST DOWNTOWN LIGHTING PROJECT (CAPITAL FUNDS)

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

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

The Redevelopment Agency funded $750,000 for Phase 1 in the FY 2011 budget. Construction is scheduled to be complete by the end of 2011.

WESTSIDE CENTER - PLAYGROUND IMPROVEMENTS (2003A BOND)

The Westside Center Playground Improvements, located adjacent to the 101 Freeway, is an element of the West Downtown Improvement Program. Improvements to this heavily used community park will include new landscaping, fencing, and a re-orientation of the park facilities to better serve the local neighborhood. The design also included the installation of basketball half courts and a resurfaced handball court. Construction was complete in December 2010. This project was funded at a level of $270,887.

BRINKERHOFF AVENUE LIGHTING PROJECT (2001A BOND)

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

CARRILLO RECREATION CENTER (2001A & 2003A BOND)

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

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

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

Construction of the entire project was completed in June of 2011 and a Grand Opening was held on September 1, 2011.

POLICE DEPARTMENT RENOVATION (CAPITAL FUNDS)

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

DOWNTOWN PARKING STRUCTURE IMPROVEMENTS (2003A BOND)

In FY 2010, the Agency funded an update of existing plans for parking structures #2, #9 and #10 to meet the 2010 building code requirements. Structures #2, #9 and #10 are the main parking areas in the downtown core. In 2004, the City contracted with Watry Design, Inc. to perform a Condition Assessment Analysis for just for Parking Structures #2 and #10. The assessment report identified potential safety concerns, maintenance issues,

and aesthetic items, as well as providing cost estimates for these repairs. Later in 2004, Watry was hired to perform an additional Condition Analysis for Parking Structures #7 and #9, and the City Surface Lots, completing the analysis of all the Downtown Parking facilities. This report provided a prioritized list of potential safety concerns, maintenance issues, and aesthetic items, as well as a cost estimate for the repairs to all the lots. The studies performed by Watry determined that the columns and beams in Structures #2, #9 and #10 were in need of strengthening and support. There have been building code changes since the original plans were prepared and the plans must be updated to meet the current building code. Watry was awarded the contract in an amount of $91,000 for design services to bring the existing plans up to current code.

On December 14, 2010, the Agency Board approved approximately $2,050,000 for the construction of Parking Structures #2, #9, and #10. Parking structures #9 and #10 were completed in May 2011 and construction for Structure #2 will begin in early February 2012 and be complete by May 2012.

CULTURAL ACTIVITIES

PLAZA DE LA GUERRA INFRASTRUCTURE IMPROVEMENTS (2003A BOND)

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

In November 2009, the City Council and the Redevelopment Agency Board reviewed the concept design developed by the firm of Campbell and Campbell with the input of various City advisory committees. The Council Subcommittee requested a limited scope that would meet the Council's desire to improve the Plaza while maintaining its character, address Council's charge for "safe interaction between pedestrians and automobiles" and address concerns expressed by the local business community through the Downtown Organization. The concept proposes reducing the parking spaces by five, changing all the parking to 15 minutes, raising the grade of the street to be flush with the lawn, relocating the utility structure off of the Plaza lawn, and improving pedestrian amenities. The firm of Campbell and Campbell was awarded the preliminary design contract for the infrastructure improvements. Meanwhile, the concept plan received Pre-Application Review Process assessment. In support of the environmental review process, several firms have been contracted for research services: Post/Hazeltine has produced a Historic Structures and Sites report; MNS Engineering has researched titles and Applied Earthworks has performed a Phase I archaeology study all of which have been approved by the appropriate review body.

The project continues to make progress through the various design phases and reviews and an Environmental Impact Report will be prepared beginning in October 2011.

COMMUNITY ARTS WORKSHOP (2003A BOND)

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

COMMUNITY CULTURAL GRANTS FOR CAPITAL PROJECTS

HISTORIC/CULTURAL DISTRICT PROMOTION (GENERAL)

The Downtown Organization has received grant funds to run a Cultural and Historic District campaign. The campaign includes a map/brochure, advertisement regarding downtown cultural events, spots on local radio stations, and advertisements in local magazines. The Downtown Organization has worked closely with the County Arts Commission to coordinate cultural promotions. In Fiscal Year 2011, the Agency budgeted $74,100

for the Downtown Organization's activities. The cultural promotions will assist the project area by increasing activity in the downtown core.

ART SYMPOSIUM (GENERAL)

The Agency helped fund the Arts Symposium organized by the County Arts Commission. At this year's symposium, the Santa Barbara Arts Collaborative announced the winners of their Direct-to-Artist grants along with a presentation of their updated business plan. A presentation was made on Ventura's new WAV project, an artist housing project. The rest of the symposium focused on increasing youth involvement, mentorship opportunities and exploring new funding models. The Agency contributed $3,500 in Fiscal Year 2011.

WATERFRONT AREA

WEST BEACH PEDESTRIAN IMPROVEMENTS (2003A BOND)

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

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

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

Phase II of the East Cabrillo Boulevard Sidewalk Replacement project involves the removal and replacement in kind of approximately 1,120 linear feet of existing sidewalk located on the south (beach) side of East Cabrillo Boulevard between Milpas and Niños Streets. This phase extends the recently completed sidewalks between Anacapa Street and Milpas Street. This project was completed in April 2011.

HELENA STREET PARKING LOT (2003A BOND)

The project is located at the Agency-owned parcel at 217 Helena Avenue. The Agency had previously agreed to construct the parking lot as part of the adjacent youth hostel project being developed by Fess Parker. The parking lot was funded in the RDA Capital Program. Development of a public parking lot at this location will support neighborhood businesses and encourage pedestrian activity in and around the area by providing a "park once" opportunity in the Lower State Street/Waterfront Area. Staff estimates the development of a parking lot on the Helena site to cost approximately $500,000 for design, engineering, and construction. Construction is expected to proceed in the first quarter of FY 2012.

125 STATE STREET (CAPITAL FUNDS)

The Children's Museum of Santa Barbara received a preliminary designation of 2,500 square feet of floor area from the Community Priority Category toward the proposed 14,127 square foot building on the site. Also a Memorandum of Understanding (MOU) was executed to set out the mutual understanding of Agency staff and the Museum regarding the process by which the Agency Board and staff and the Museum develop a project

description for purposes of initiating City of Santa Barbara environmental review of the proposed development of a children's museum on the Project Site and to negotiate the possible terms of a Disposition and Development Agreement (DDA) and subsequent ground lease. Significant components of the MOU are that the 14,000 square foot museum would include the following elements two stories, indoor exhibits over 7,000 square feet, lobby and store space over 6,000 square feet, outdoor exhibits over 1,800 square feet, landscaping and other appurtenant facilities, and visitor and staff parking on site and off site. The Agency's responsibility is any necessary site remediation and reconfiguration of the existing legal lots into one legal lot for the ground lease. A site survey has been prepared and forwarded to the Children's Museum of Santa Barbara. Phase I and Phase II environmental assessments of the site found low levels of hazardous materials, and the contaminated soils have been removed from the site.

OTHER ACTIVITIES

PANHANDLING EDUCATION AND ALTERNATIVE GIVING CAMPAIGN (GENERAL)

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

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

TRANSPORTATION MANAGEMENT PROGRAM (GENERAL)

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

AGENCY'S AFFORDABLE HOUSING PROGRAM

416-424 COTA STREET / 517 OLIVE STREET (ARTISAN COURT)
The Housing Authority completed construction of a new 55-unit project that houses a mixed population of low income downtown workers, aging foster youth, and the homeless. The project was awarded $11.7 million in tax credits and federal recovery act funds. The Agency provided $4 million for acquisition of the property plus $284,583 for construction. Agency staff also secured $915,417 in federal HOME funds for construction, bringing the total local subsidy to $5.2 million. Artisan Court is now fully occupied.

618 SAN PASCUAL STREET
Habitat for Humanity completed construction of 4 new low income ownership housing units. Habitat's well-tested construction formula includes donated materials and technical assistance from the local development community, volunteer labor, future homeowners' labor (sweat equity), and funds granted from a wide range of foundations, local churches, and individuals. The Agency provided $400,000 in state HELP funds for acquisition in the form of a short-term loan which Habitat has repaid, and Agency staff secured $700,000 in federal HOME funds for construction of the project. The four units are now fully occupied.

2941 STATE STREET
The City's Housing Authority acquired this existing multi-family rental housing development with 6 one-bedroom units. The Agency provided the Housing Authority with a $360,000 loan this year for acquisition of the property, and the City provided a federal CDBG grant for rehabilitation (included in the Housing Rehabilitation Loan Program description below), which will be completed next fiscal year.

2904 STATE STREET (WILLBRIDGE)
The City's Housing Authority acquired this 8-unit residential property (formerly a motel) in order to master-lease it to a local non-profit (WillBridge) which provides housing and supportive services to formerly homeless people. The Agency provided the Housing Authority with a $1,150,000 grant this year for site acquisition. The Housing Authority worked closely with community representatives to address concerns about the project's operation and its target population, and the project is now fully occupied.

233 WEST ORTEGA STREET
The Agency provided a $300,000 grant this year to the City's Housing Authority for construction of two low income rental housing units on an underutilized public housing site. Construction is well underway and is expected to be completed early next fiscal year.

421-425 EAST COTA STREET (MOM'S PROPERTY)
The building at 421 East Cota (formerly Mom's restaurant) had structural issues that limited development options. Transition House has demolished the structure, and is now constructing a new mixed-use building that features 8 new affordable housing units over a ground-floor infant care center. Transition House is also rehabilitating the building it owns next door (425 East Cota), which has 8 existing apartments, and will connect the existing building with the new one. The Agency provided a $120,000 predevelopment loan, and Agency staff secured $850,000 in federal HOME funds for the new construction. The Agency also committed $150,000 for rehabilitation of the existing units, and Agency staff secured $100,000 in CDBG funds for replacement of the roof. Tax credits approved this year will bring over $4,000,000 to the project. Construction and rehabilitation are underway, and completion is expected late in the next fiscal year.

512-518 BATH STREET (BRADLEY PROPERTY)
In June 2008, the Agency provided the City's Housing Authority with a loan of $4,800,000 for the acquisition of property at 512-518 Bath Street. Since then, the Housing Authority has been land-banking the site for future affordable housing development – a supportive housing project for the homeless and downtown workers of 54 units. As the property abuts Mission Creek, the project would also include a creek restoration component. The Agency has committed an additional $3,600,000 to the project for construction ($2,000,000 of which was committed this fiscal year), bringing the total Agency subsidy for the project to $8,400,000. The Housing Authority has secured its entitlements for developing the project. The project did not receive tax credits during this fiscal year, but a new application for roughly $5,000,000 will be submitted next fiscal year. Until then the Housing Authority will continue to operate an existing 10-unit residential structure on the site as affordable

rental housing. If awarded tax credits, the Housing Authority would then relocate the tenants, demolish the structure, and commence construction of the new project.

HOUSING REHABILITATION LOAN PROGRAM (HRLP)
While the City's Housing Rehabilitation Loan Program (HRLP) has been phased out for single-family owner-occupied homes, the City continues to use federal CDBG funds for rehabilitation of multi-family rental housing projects. This year, rehabilitation grants totaling $850,000 were committed to three such projects owned and managed by the City's Housing Authority, SHIFCO, Villa La Cumbre, and the recently acquired 2941 State Street (mentioned above). The three projects have a total of 174 low income rental housing units, and all three projects are subject to long-term affordability restrictions that assure that the units will continue to be affordable to low income households for many years to come. The rehabilitation work will be completed next fiscal year.

822-824 EAST CANON PERDIDO
Habitat for Humanity has plans to construct 12 new ownership units for low income families on this site. The Agency provided Habitat with a $925,000 loan this year for site acquisition. Preliminary plans are being prepared now. Habitat will likely secure entitlements for development and secure financing for construction during the next fiscal year and start construction in the following fiscal year.

510-520 NORTH SALSIPUEDES STREET
Peoples' Self-Help Housing Corporation plans to acquire this site, which consists of three contiguous parcels totaling nearly 1 acre. This year, the Agency committed a $2,000,000 loan for site acquisition and committed another $2,000,000 loan for construction. The Agency's acquisition loan is conditioned upon the successful remediation of contaminated soil. Peoples' Self-Help plans to construct approximately 45 new rental housing units for low income families on the site. Construction is not likely to start for another two years.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2012
(NOT COVERED IN AUDITOR'S REPORT)

INTRODUCTION

This report, covering the projected program year for the fiscal year ending June 30, 2012 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 2012 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2012, including appropriations from prior year balances.

FISCAL YEAR 2012 WORK PROGRAM

REDEVELOPMENT AGENCY GENERAL FUND PROJECTS

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

Supplemental Patrol ***$352,070***

A pilot three-year program to be overseen by the Police Department and will aid with the Restorative Policing by the addition of three outreach workers, and six Community Service Officers.

Property Management: ***$150,825***

Miscellaneous improvements to Agency-owned properties and property management obligations.

Transportation Management Program Shuttle Bus Contract: ***$300,000***

Funding contribution to shuttle program that mitigates traffic and parking impacts resulting from Agency development projects.

Overnight Accommodation Mitigation ***57,737***

Funds for use by Transition House to provide hotel vouchers to families in the event their shelter is full. Funds will also be used for the program to reconnect homeless individuals with their families.

Hazardous Materials: ***$392,112***

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

Downtown Organization Cultural Promotions 2011: ***$80,000***

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

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

REDEVELOPMENT CAPITAL FUND PROJECTS

Chase Palm Park Lighting and Electrical Upgrades — *$536,489*

Upgrade of park electrical system, replacement of 40 light poles and conversion of landscape lighting to bollard lights. Wiring and footings in place. New poles are anticipated in November 2011.

Plaza del Mar Restroom Renovation — *$204,046*

Funding for the complete renovation of a highly visible and heavily used restroom at Plaza del Mar field. Renovation would include graffiti resistant materials as well as energy and water saving fixtures. Bidding is anticipated in October 2011 and construction is expected to be in February 2012.

Pershing Park Restroom Renovation — *$115,041*

Funding for the complete renovation of a highly visible and heavily used restroom at Pershing Park. Renovation would include graffiti resistant materials as well as energy and water saving fixtures. Bidding is anticipated in October 2012 and construction is expected to be in February 2012.

Panhandling Education and Alternate Giving Campaign — *$16,428*

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

Police Department Locker Room Upgrade: — *$6,989,173*

Funds for construction of the Police Department building. In January 2011, Council was given an assessment report which concluded that the building would need to be completely replaced. An additional $7,575,000 was allocated in Fiscal Year 2009.

Police Department Annex Lease Cost — *$152,580*

Temporary office lease for Police Department personnel prior to and during the Police Department headquarters facility upgrade.

925 De la Vina Rental Costs — *$81,432*

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

Chase Palm Park Playground Replacement — *$200,000*

Funds for replacement of various playground equipment.

Parking Lot Maintenance Fund — *$179,890*

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

Redevelopment Project Contingency Account: — *$5,821,247*

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

Downtown Parking Structures (#2, #9 & #10) Construction Improvements — *$1,258,440*

Funds allocated for the building code upgrades to Agency-owned parking structures #2, #9 and #10.

Lower West Downtown Street Lighting *$726,512*

Phase I of three phases includes West Haley Street on the north, De la Vina Street on the east, West Gutierrez Street on the south and Bath Street on the west. Sixty-four light poles have been ordered. The LED lights conform to the International Dark Sky Association requirements. Construction is anticipated to begin in the second quarter of FY 2012.

Cabrillo Arts Pavilion Assessment Study *$248,000*

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

SERIES 2001A TAX ALLOCATION BOND CAPITAL PROJECTS

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

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

SERIES 2003A TAX ALLOCATION BONDS CAPITAL PROJECTS

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

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

Helena Street Parking Lot *$360,891*

Funds for the development of the Agency-owned parcel adjacent to the youth hostel being built by the Parker Family Trust. Additional parking in this area will be utilized by waterfront visitors at the proposed Children's Museum to be developed on a nearby Agency-owned parcel next to the Railroad Depot on State Street. Construction is schedule for the first quarter of FY 2012.

Mission Creek Flood Control Enhancement: *$727,086*

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

Plaza de la Guerra Infrastructure: *$2,158,039*

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

Visitor Center Condominium Purchase: *$500,000*

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

Lower State Street Sidewalks: *$335,000*

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

Fire Department Administrative Annex ***$2,787.872***

Funds for the renovation of a former muffler shop into the Fire Department's administrative offices. The project is under construction.

Chase Palm Park Restroom Renovation ***$185,687***

Funds for the renovation of a heavily-used existing restroom on the beach side of East Cabrillo Boulevard (near Calle Cesar Chavez) in Chase Palm Park. Construction is scheduled to begin in the first quarter of FY 2012.

Downtown Sidewalks ***$79,848***

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

Downtown Parking Structure Improvements - #2, 9 and 10 ***$22,719***

Additional funds allocated to for structural upgrades for these three downtown parking structures. Design has been completed.

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

Funds for a complete renovation of the Library Plaza. The concept includes removal of walls to make a level area and redesign consistent with newly constructed Jardin de las Granadas across East Anapamu Street. Preliminary design has begun utilizing public input from workshops with various stakeholders.

Artist Workspace: ***$524,692***

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

West Downtown Improvement Program ***$288,259***

Remaining funds from the project which was completed in June 2011

Carrillo Recreation Center Restoration: ***$1,562,008***

Funding for interior and exterior renovation of the historic Carrillo Recreation Center. Upgrades to electrical, plumbing, structural and numerous aesthetic improvements. The Center is under renovation and completion is expected mid FY 2011. The building has been renovated and landscaping is complete with a 180-day maintenance contract in place.

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

Funds allocated in the Fiscal Year 1999-2000 budget for the construction of a Wisteria Arbor at Chase Palm Park. Construction awaits the development of Fess Parker's Waterfront Hotel.

COMMUNITY GRANTS

Ensemble Theatre Company – Victoria Theatre Restoration: ***$1,000,000***

Grant funds to the Ensemble Theatre Company to renovate the Victoria Theater.