

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, 2004



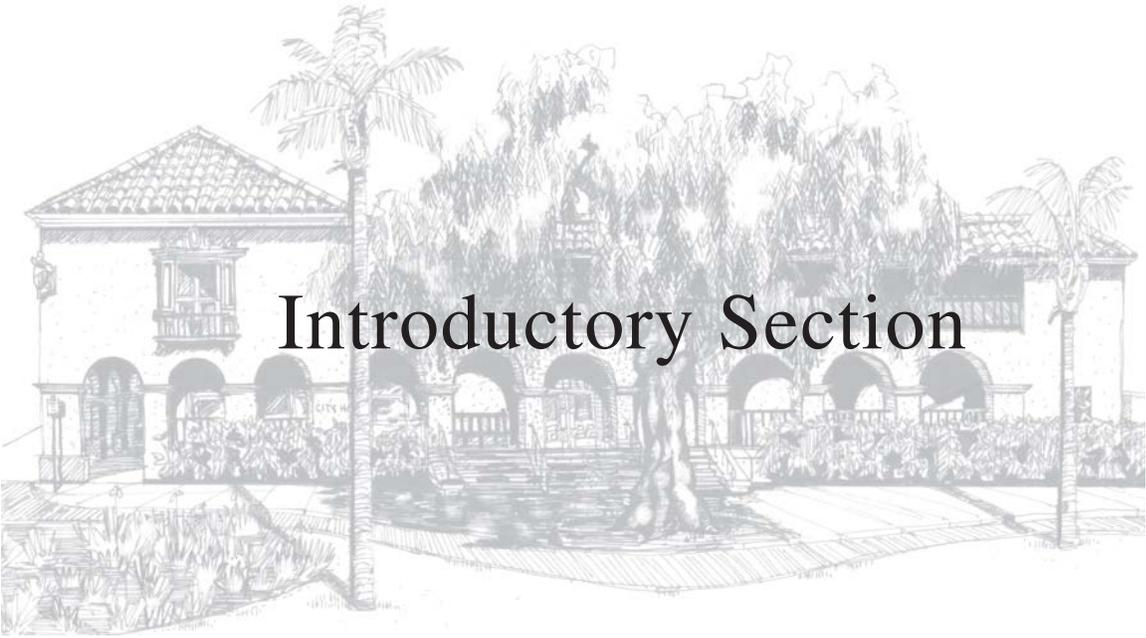
**Redevelopment Agency
of the City of
Santa Barbara, California**

A Component Unit of the City of Santa Barbara

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2004

ROBERT D. PEIRSON, AGENCY TREASURER



Introductory Section

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2004

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REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2004

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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

October 1, 2004

The Honorable Chairperson and the Members of the Redevelopment Agency:

The Comprehensive Annual Financial Report (CAFR) of the Redevelopment Agency of the City of Santa Barbara (Agency) for the Fiscal Year ended June 30, 2004 is herewith submitted. This report was prepared by the Finance Department of the City of Santa Barbara (City) on behalf of the Agency. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Agency. To the best of our knowledge and belief, the data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Agency. All disclosures necessary to enable the reader to gain an understanding of the Agency's financial activities have been included.

The CAFR is presented in five sections: the introductory section, which includes the transmittal letter; the financial section, which includes management's discussion and analysis and the basic financial statements; the statistical section; the compliance and internal control section; and the Agency's Annual Program Report and Work Program section. The financial section of this report has been audited by the firm of Brown Armstrong Paulden McCown Starbuck & Keeter, whose opinion thereon is included as an integral part of this report.

ECONOMIC CONDITION AND OUTLOOK

Local property taxes, the primary revenue source of the Agency, continue to increase. The residential real estate market in Santa Barbara has been tremendously active during the last few years, attributable primarily to low interest rates and, in part, to a housing demand based on wealth and not current income. The median price of residential real estate on the South Coast, which includes Goleta, Santa Barbara, Montecito, and Carpinteria, has reached and surpassed \$1,000,000, while non-residential real estate valuations have also reached new highs for the past three years. Increasing property tax revenues are expected to continue as rising real estate prices push assessed property values upward.

As the Agency moves into its final nine years of operation, numerous operational challenges await it. Agency staff began the initial stages of engaging in the critical task of establishing strategies to maximize financial and physical impacts over the next nine years and to create programs to succeed the Agency. Included among the strategies is the development of a long-range debt strategy, which included the issuance of the Agency's 2003A Tax Allocation Bond in December 2003.

MAJOR INITIATIVES

Granada Garage

The City Council approved the development of the Granada Garage in March 2001 after a study had determined that State Street businesses above Carrillo Street were not as robust as those below. The Granada Garage will be a six-level parking structure (two levels below ground) with 575 parking spaces and will include offices for the Downtown Parking Operations, and a bike station. The architecture of the garage will be Mediterranean in style and will feature new paseos and landscaping surrounding the structure. The garage will be located at the present site of the Lot 6 parking lot (corner of Anacapa and Anapamu Streets) and will provide much needed parking for the local businesses located north of Carrillo Street. Due to problems with cost and design, a new firm, Watry Design, was selected for a redesign in December 2003. Construction bids were received on August 11, 2004 and were within estimates. As a result, construction began on September 13, 2004. To date, the design and initial construction phases have cost slightly over \$3.5 million in Redevelopment funds. The Agency has \$15 million remaining from the Series 2001A bond proceeds and an additional \$4 million in Series 2003A bond proceeds to fund the garage construction.

Carrillo Street Sidewalks

The existing sidewalks between Chapala and Anacapa Streets along Carrillo Street have deteriorated and have been pushed up in many locations by tree roots. The project consists of the removal of the existing asphalt-patched concrete sidewalks; the removal and replacement of damaged curbs, as necessary; and the construction of new brick sidewalks in the 00 East and 00 West blocks of Carrillo Street. The work also includes the replacement, as necessary, of water meter boxes; streetlight and traffic signal pull boxes; existing roof drains beneath the sidewalk; repair of cross-gutters; construction of storm drain inlets, piping, a driveway, and irrigation lines, installation of root barriers around trees; street signs; bicycling hitching posts; and, trash/recycling containers. On June 4, 2002, in an effort to improve this highly visible downtown corridor, the Agency Board approved funding for the Carrillo Street Sidewalk Project in the Agency's budget for Fiscal Year 2003. On April 8, 2003, the Agency Board designated the Carrillo Street Sidewalk Project as a priority project and directed staff to pursue its implementation; however, progress was halted over concern about the state budget shortfall. On March 30, 2004, the Agency Board awarded the \$422,834 construction contract to Granite Construction. Construction began May 3, 2004, and is expected to be completed in fiscal year 2005.

916 State Street Public Restrooms

In January 2001, the engineering firm of Howard and Van Sande was retained as the prime design consultants for the proposed public restrooms to be located at 916 State Street. This site is between Borders Books and Music and the Fiesta Five Theatres and will be integrated into the façade of City Parking Structure No. 9. In 2003, the Agency Board rejected all bids for the project and asked staff to look for ways to reduce the overall project cost. City staff analyzed other options including the remodeling of other public restrooms, free standing automated public toilets, a redesigned 916 State Street public restroom, expansion of the Visitor Restroom Program, and a brochure showing all of the City's public restrooms. In June 2004, the Agency Board directed City staff to proceed with a modified 916 State Street restroom design, facilitate the expansion of the Visitor Restroom Program, produce a brochure/map of all public restrooms, and pursue a construction cost analysis for a remodel and expansion of the Parking Structure No. 10 restroom.

Chapala Street Streetscape Design Guidelines

While the majority of development in downtown Santa Barbara has been focused on State Street over the last 30 years, Chapala Street south of Carrillo Street is quickly emerging as a focus of private redevelopment. Pedestrian amenities, landscape elements, and a cohesive streetscape theme are lacking while private development in the corridor is burgeoning. Agency staff, in collaboration with the Planning Division of Community Development and the Transportation Division of Public Works, initiated a design guidelines process. Conceptual Motion Company, in a joint venture with Shubin and Donaldson Architects, is leading the design process. The product of the design process will be guidelines, similar to the State Street Landscaping Guidelines, including text and renderings. A series of community meetings gathered input from local developers, business owners, merchants, and various design review boards. A public workshop was held on February 21, 2004, with the stakeholders in order to review the conceptual planning and design for Chapala Street. The Guidelines continue to be refined as the Historic Landmarks Commission and the Planning Commission begin their review. Another public workshop is planned for October 2004 before the Guidelines return to the City Council for approval.

AGENCY'S AFFORDABLE HOUSING PROGRAM

4200 Calle Real (St. Vincent's)

Mercy Housing California, a State-wide nonprofit housing developer, will soon construct and develop two low-income rental housing projects to be built on the site of the former St. Vincent's School, a 19-acre site recently annexed by the City near Highway 154 and Calle Real. One of the projects is a 75-unit housing project for families, and the other is a 95-unit project for seniors. The Agency has committed a total of \$17.4 million to the two projects, including \$3.7 million of predevelopment loan funds already disbursed. The County of Santa Barbara has committed \$4.4 million. The majority of the remaining funding will come from HUD Section 202 funds for the senior project and four percent tax credits for the family project. Construction is expected to start in the next fiscal year. As disclosed in Note 11 to the accompanying financial statements, on September 14, 2004, the Agency issued \$7,150,000 Tax Allocation Housing Bonds, Series 2004A, to finance this project.

OTHER INFORMATION

Component Unit Reporting

Under reporting requirements prescribed by generally accepted accounting principles adopted by the Governmental Accounting Standards Board, the Agency's results of operations are also reported in the City of Santa Barbara's CAFR. This treatment is due to the requirement that municipal organizations include in one report all operations controlled by the same governing body. Specific interpretation for redevelopment agencies requires their inclusion in the City's 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 CAFR. The Agency remains separate for all legal purposes. Accordingly, the accompanying basic financial statements are issued as a separate component unit report of the Agency.

Internal Controls

The Agency's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the Agency's assets are protected from loss, theft or misuse. The internal controls must also ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The Agency's system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1)

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

Independent Audit

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

Acknowledgments

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

Respectfully Submitted,



James L. Armstrong
Executive Director and Secretary



Robert D. Peirson
Agency Treasurer

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

Directory of Agency Officials

June 30, 2004

Marty Blum
Chairperson

Dan B. Secord, M.D.
Member

Helene Schneider
Member

Roger L. Horton
Member

Das Williams
Member

Iya G. Falcone
Member

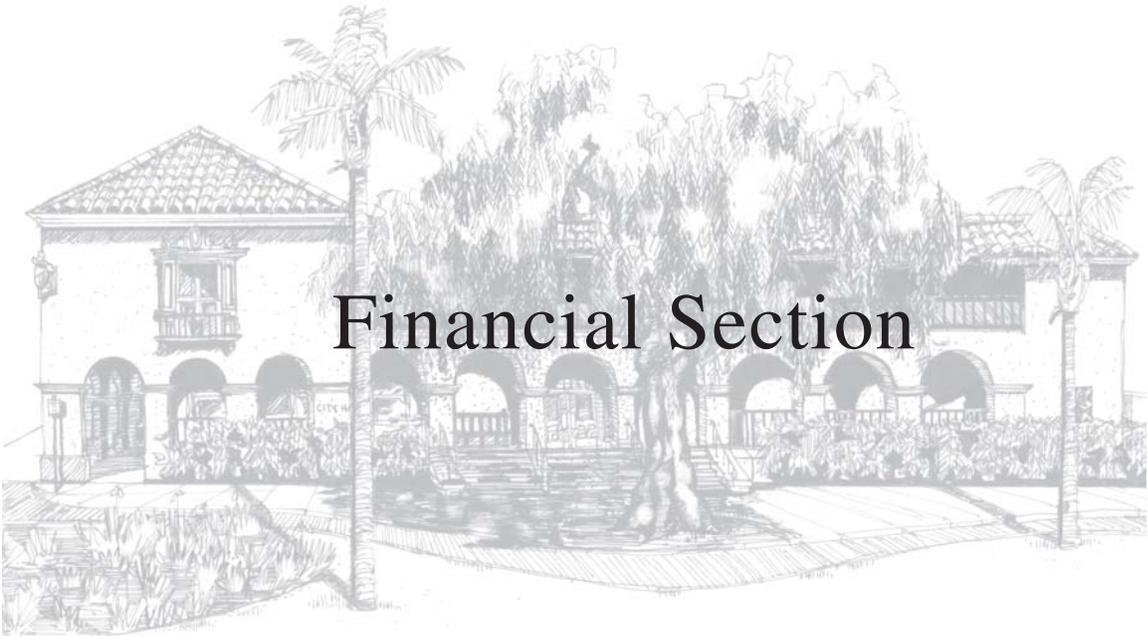
Brian B. Barnwell
Member

James L. Armstrong
Executive Director and Secretary

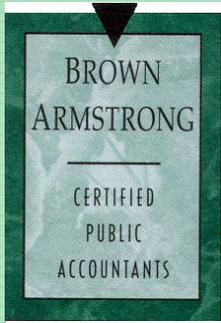
Stephen P. Wiley
Agency Counsel

Robert D. Peirson
Agency Treasurer

David K. Gustafson
Housing & Redevelopment Manager



Financial Section



**BROWN ARMSTRONG
PAULDEN MCCOWN STARBUCK & KEETER**

CERTIFIED PUBLIC ACCOUNTANTS

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Burton H. Armstrong, CPA MST
Andrew J. Paulden, CPA
Harvey J. McCown, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA

INDEPENDENT AUDITOR'S REPORT

Eric H. Xin, MBA, CPA
Lynn R. Krausse, CPA, MST
Bradley M. Hankins, CPA
Melinda A. McDaniels, CPA
Sharon Jones, CPA, MST
Thomas M. Young, CPA
Amanda E. Wilson, CPA
Diana Branthoover, CPA
Rosalva Flores, CPA
Connie M. Perez, CPA
Matthew Gilligan, CPA

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

We have audited the accompanying component unit financial statements of the governmental activities, and each major fund of the Redevelopment Agency of the City of Santa Barbara, a component unit of the City of Santa Barbara, as of and for the year ended June 30, 2004, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Redevelopment Agency of the City of Santa Barbara, as of June 30, 2004, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The *management's discussion and analysis* and *budgetary comparison* information as listed in the accompanying table of contents are not a required part of the Agency's basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements that collectively comprise the component unit's basic financial statements. The introductory section and the statistical tables, where applicable, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 1, 2004 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Brent H. Armstrong". The signature is written in a cursive style with a large, sweeping flourish at the end.

Bakersfield, California
October 1, 2004

Redevelopment Agency of the City of Santa Barbara Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2004

This section of the Redevelopment Agency of the City of Santa Barbara's Comprehensive Annual Financial Report presents an overview of the Agency's financial activities for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages III-VI of this report.

FINANCIAL HIGHLIGHTS

- Total assets of the Agency at June 30, 2004 were \$170.9 million, an increase from prior year of approximately \$30.3 million.
- Net assets (assets over liabilities) of the Agency as of June 30, 2004 totaled \$85.2 million, an increase of \$6.6 million from prior year. Of the total, \$7.8 million is unrestricted and, thus, may be used to meet the Agency's ongoing obligations to citizens and creditors.
- Revenues of the Agency for the year ended June 30, 2004 totaled \$15.3 million; and expenses totaled \$8.6 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

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

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Governmental Funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 26 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, 2004 and 2003, which can also be found on page 11 of this report.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

**Table 1
REDEVELOPMENT AGENCY
OF THE CITY OF SANTA BARBARA
Summary of Net Assets
As of June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 113,727,202	\$ 84,027,786
Capital assets	57,219,233	56,609,239
Total assets	<u>170,946,435</u>	<u>140,637,025</u>
Current liabilities	8,212,410	6,558,804
Long-term liabilities	77,500,000	55,480,000
Total Liabilities	<u>85,712,410</u>	<u>62,038,804</u>
Net assets:		
Invested in capital assets, net of related debt	40,454,249	33,161,391
Restricted	37,010,263	39,012,738
Unrestricted	7,769,513	6,424,092
Total Net Assets	<u>\$ 85,234,025</u>	<u>\$ 78,598,221</u>

As of June 30, 2004, assets for the Agency totaled \$170.9 million, an increase of approximately \$30.3 million from prior year. This overall increase is primarily due to the issuance of new bonds this year that resulted in a \$29.1 million increase in Cash With Fiscal Agent. The bonds were issued to provide funds to finance redevelopment activities in Central City Redevelopment Project Area.

Liabilities at year-end totaled approximately \$85.7 million, a \$23.7 million increase from the prior year. The largest factors contributing to the increase are: proceeds from the issuance of new tax allocation bonds (\$35.9 million), payment to refund the 1993 bonds (-\$7.2 million), and principal retirement on outstanding tax allocation bonds (-\$5.2 million).

Net assets as of June 30, 2004, totaled \$85.2 million. Of this total, \$40.5 million is invested in capital assets; \$37 million is restricted, of which \$35.8 million is restricted for low- and moderate-income housing activities; and \$7.8 million is unrestricted. In total, net assets increased by approximately \$6.6 million.

Statement of Activities

Table 2 provides a summary of the Statement of Activities for the Agency for the fiscal years ended June 30, 2004 and 2003.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

**Table 2
REDEVELOPMENT AGENCY
OF THE CITY OF SANTA BARBARA
Statement of Activities
Fiscal Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
General Revenues:		
Property Tax Increment	\$ 12,861,722	\$ 12,773,924
Interest Revenue	2,408,276	2,459,648
Other Revenue	1,510	11,200
Total Revenues	<u>15,271,508</u>	<u>15,244,772</u>
Expenses:		
General Government	3,892,621	4,976,306
Housing	1,231,914	703,007
Debt Service - Interest	2,519,227	3,133,209
Capital Improvements	991,942	976,174
Total Expenses	<u>8,635,704</u>	<u>9,788,696</u>
Increase in net assets	6,635,804	5,456,076
Net Assets, July 1, 2003	<u>78,598,221</u>	<u>73,142,145</u>
Net Assets, June 30, 2004	<u>\$ 85,234,025</u>	<u>\$ 78,598,221</u>

As shown in Table 2, revenues for the year ended June 30, 2004, totaled \$15.3 million. Of this total, \$12.9 million (84.2%) consists of property tax increment revenues. As previously discussed, the nature of redevelopment agencies is such that they are created for the purpose of eliminating blight, through capital improvements, where needed in the community. The improvements are financed by the issuance of bonds that are repaid from the incremental property tax revenues generated from the improvements. Therefore, incremental property tax revenues are generally the largest and primary source of revenues for redevelopment agencies. Tax increment revenues grew by \$87,798 (0.7%) from prior year.

The other significant revenue is interest income, which totaled \$2.4 million. Interest rates continued to decline during the year and this accounted for the decline in investment earnings in spite of the additional proceeds from the 2003 bonds that were on deposit with fiscal agents. Interest on pooled cash and investments decreased by \$198,623 and interest on RDA loans decreased by \$93,481. A large portion of this interest is being generated from the invested proceeds of the 2001 and 2003 Tax Allocation Bonds. Most of the proceeds from the 2001 bonds have been earmarked for the construction of a new parking structure (the "Granada Garage"). For a number of reasons, construction of the parking structure has been delayed, and the proceeds continue to earn interest. Once the project gets underway and the funds are expended, interest income will decline accordingly. Proceeds from the 2003 bonds will be used for various redevelopment projects within the central city redevelopment area.

Expenses totaled \$8.6 million, which included \$2.5 million for interest on outstanding bonds and \$3.9 million for general government, which include a \$704,140 payment to the Educational Revenue Augmentation Fund pursuant to State action to offset fiscal year 2004 State budget deficit. See further discussion of this shift in property taxes later in the Economic Factors and Next Year's Budget section of this analysis.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Net assets increased by \$6.6 million during the year, suggesting a considerable improvement in the financial condition of the Agency. Although financially stable, the substantial increase in net assets in both current and prior year is due to a conscious decision on the part of the Agency Board to hold off on major projects until the State adopted its fiscal year 2005 budget, at which time any impacts to redevelopment agencies would be known.

ANALYSIS OF FUND FINANCIAL STATEMENTS

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

Table 3 summarizes the balance sheet of all governmental funds as of June 30, 2004, and June 30, 2003.

Table 3		
Redevelopment Agency of the City of Santa Barbara		
Balance Sheet		
As of June 30, 2004 and 2003		
	<u>2004</u>	<u>2003</u>
Assets		
Cash and investments	\$ 18,609,189	\$ 18,537,511
Loans receivable	27,537,794	26,609,007
Accrued interest receivable	106,774	1,265,197
Due from other agencies	150,959	201,279
Due from City	281,253	410,811
Properties held for resale	433,952	433,952
Cash and investments with fiscal agents	<u>64,279,761</u>	<u>35,164,495</u>
Total Assets	<u>111,399,682</u>	<u>82,622,252</u>
Liabilities		
Accounts payable	450,540	387,728
Deposits	214,608	214,608
Deferred revenue	281,253	364,597
Loans payable	<u>750,000</u>	<u>660,000</u>
Total Liabilities	<u>1,696,401</u>	<u>1,626,933</u>
Fund Balance		
Reserved for:		
Encumbrances	2,162,309	3,125,612
Non-current assets	28,111,715	27,226,299
Debt service	687,068	4,767,408
Redevelopment activities	70,505,297	38,463,886
Low and moderate income housing	<u>8,236,892</u>	<u>7,412,114</u>
Total Fund Balance	<u>109,703,281</u>	<u>80,995,319</u>
Total Liabilities and Fund Balance	<u>\$ 111,399,682</u>	<u>\$ 82,622,252</u>

Assets at June 30, 2004, totaled \$111.4 million. The largest asset, at \$64.3 million, is cash and investments with fiscal agents in connection with outstanding bonds of the Agency. The majority of the cash and investments with fiscal agent represent bond proceeds, a portion of which is to be used to construct a new parking structure and other downtown redevelopment projects. The balance represents funds held in reserve pursuant to related bond indenture

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

provisions for the benefit of bondholders. These reserves correspond to the \$687,068 of fund balance "Reserved for debt service" as shown in Table 3. This is significantly less than prior year because of two factors: 1) The 1993 bonds were defeased and the reserve balance was liquidated; and 2) In conjunction with issuance of the 2003 bonds, the Agency purchased insurance on the 1995 and 2003 bonds. Accordingly, a portion of the reserve on the 1995 bonds was remitted to the agency and no reserve was needed for the 2003 bonds. Loans receivable totaling \$27.5 million at June 30, 2004, primarily include loans provided to low- and moderate-income households from the 20% of tax increment set aside for housing pursuant to State law. It also includes loans provided to non-profit developers for purposes of increasing the number of affordable housing units in the City. As these loans are repayable over more than one year and therefore are not currently available for appropriation, a corresponding amount of fund balance is "Reserved for non-current assets" shown in Table 3.

Total assets increased by approximately \$28.8 million from prior year, from \$82.6 million to \$111.4 million. This growth is mostly attributable to increases in Cash With Fiscal Agent due to issuance of the 2003 tax allocation bonds, less refunding of the 1993 bonds, this year. Additionally, loans receivable increased by \$928,787. These loans are generally for projects relating to the City's Housing Authority for the construction of new affordable housing units. Interest receivable decreased \$1.2 million to \$106,774. This is entirely due to the timing of interest payments from the fiscal agent on the 2001 bonds. This amount was due and payable at June 30, 2003 but was not remitted to the Agency until fiscal year 2004.

GENERAL FUND HIGHLIGHTS

Table 4 below recaps the budgeted and actual results of operations of the Agency's General Fund for the fiscal year ended June 30, 2004, including the originally adopted and final amended budget amounts.

**Table 4
Redevelopment Agency of the City of Santa Barbara
Statement of Revenues, Expenditures and Changes in Fund Balance
GENERAL FUND
For the Fiscal Year Ended June 30, 2004**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property tax increment	\$ 10,480,000	\$ 10,480,000	\$ 10,356,053	\$ (123,947)
Interest revenue	229,000	229,000	304,874	75,874
Total Revenues	<u>10,709,000</u>	<u>10,709,000</u>	<u>10,660,927</u>	<u>(48,073)</u>
Expenditures				
Supplies and services	1,222,334	1,224,044	1,175,358	48,686
Projects	2,181,666	3,069,344	1,440,060	1,629,284
Other	75,000	46,475	25,857	20,618
Total Expenditures	<u>3,479,000</u>	<u>4,339,863</u>	<u>2,641,275</u>	<u>1,698,588</u>
Excess of revenues over expenditures	7,230,000	6,369,137	8,019,652	1,650,515
Operating transfers out	<u>(7,230,000)</u>	<u>(8,260,000)</u>	<u>(8,259,926)</u>	<u>74</u>
Net change in fund balance	-	(1,890,863)	(240,274)	1,650,589
Fund balance, beginnng	<u>3,955,842</u>	<u>3,955,842</u>	<u>3,955,842</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,955,842</u>	<u>\$ 2,064,979</u>	<u>\$ 3,715,568</u>	<u>\$ 1,650,589</u>

**Redevelopment Agency of the City of Santa Barbara
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As shown in Table 4, the adopted budget for revenues remained unchanged during the year at \$10,709,000. This included a \$10.5 million estimate for property tax increment revenues and \$229,000 for interest income. Actual revenues for the year were \$10.7 million, with the largest variance occurring in tax revenues. As the largest revenue source and one of only two revenues in the Agency's General Fund, property tax revenues generally show a favorable variance at year-end. However, this year's revenues came in \$123,947 below budget because the secured taxes did well but unsecured were below expectations.

Expenditures (excluding transfers) were budgeted at \$3.5 million on July 1, 2003 with the final budget increasing to \$4.3 million. The additional appropriations of \$860,863 is the net of the following: the ERAF shift discussed above (\$706,000), a grant to the Downtown Organization for continued promotion of the cultural arts (\$58,500), a carryover of appropriations from the prior year's budget (\$1,126,363), and an increase of transfers out for debt service on the 2003 bonds (-\$1,030,000). As shown in Table 4, only \$2.6 million was expended during the year, resulting in a favorable variance of approximately \$1.7 million. As previously noted, the Agency held back expenses pending the outcome of the State's budget deliberations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets include those acquired or constructed by the Agency in connection with redevelopment projects. Table 5 below provides a summary of capital assets, net of accumulated depreciation, as of June 30, 2004 and 2003.

Table 5		
Redevelopment Agency of the City of Santa Barbara		
Summary of Capital Assets		
As of June 30, 2004 and 2003		
	2004	2003
Land	\$ 38,871,689	\$ 38,871,689
Buildings	321,967	330,910
Infrastructure	1,732,307	1,828,547
Improvements other than buildings	12,636,654	13,604,647
Construction in progress	3,656,616	1,973,446
Total	\$ 57,219,233	\$ 56,609,239

Total capital assets (net of \$12.6 million in accumulated depreciation) at June 30, 2004, were \$57.2 million, an increase of approximately \$610,000 from prior year. The increase was net of \$1.9 million in additions and \$1.3 million of depreciation expense (deletions) during the year. As shown in Table 5, construction in progress has increased by \$1.7 million from prior year. Construction in progress, totaling \$3.7 million, primarily consists of final engineering and design costs for the Granada Garage parking structure totaling \$3.1 million. The remaining \$527,070 is related to various smaller downtown projects.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Long-term Debt

As of June 30, 2004, the Agency had \$82 million in outstanding tax allocation bonds. In December 2003, the Agency issued the 2003 Tax Allocation Bonds for the purpose of financing several projects. These projects include the State Street Sidewalk Improvement Project (400-500 Blocks), Carrillo Street Sidewalk Improvements, Louise Lowry Davis Center Remodel, the West Downtown Improvement Program, the Carrillo Recreation Center Restoration, Waterfront property Development, Cabrillo/State Restroom Remodel, the Fire Station #1 Remodel, and the Cabrillo Boulevard Sidewalk Project. As part of the bond issue, the Agency refunded the remaining \$7.2 million 1993 tax allocation bonds. In addition to the bond refunding, the Agency made principal payments totaling \$5.2 million. The Agency's outstanding debt is currently rated Aaa by Moody's Investors Service and AAA 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 Agency (and City) has been fortunate in that the strong real estate market over the last five years has resulted in continued and substantial growth in revenues and, thus, has allowed for the funding of important projects and activities during that period. Although there are some indications that the local real estate market may be cooling, a 5% growth in tax increment revenues is projected for fiscal year 2005.

The most significant factor affecting the Agency in the near term is the State's increased shifting of revenues from redevelopment agencies to schools via the Educational Revenue Augmentation Fund (ERAF). By so doing, the State reduced its funding requirements to schools pursuant to Proposition 98. During fiscal year 2004, the State shifted approximately \$704,000 from the Agency. The ERAF shift for each of the next two fiscal years is estimated to be approximately \$1.3 million per year.

REQUESTS FOR INFORMATION

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

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 18,609,189
Loans receivable	27,537,794
Accrued interest receivable	106,774
Due from other agencies	150,959
Due from City General Fund	281,253
Properties held for resale	433,952
Deferred charge -issuance costs, net	1,921,946
Deferred charge - discount, net	405,574
Restricted assets:	
Cash and investments with fiscal agent	64,279,761
Capital assets (net of accumulated depreciation):	
Land	38,871,689
Buildings	321,967
Improvements other than buildings	12,636,654
Construction in progress	3,656,616
Infrastructure	1,732,307
Total assets	170,946,435
LIABILITIES	
Accounts payable	450,540
Accrued interest payable	924,997
Loans payable	750,000
Deposits	214,608
Unamortized debt premium	1,337,265
Bonds payable:	
Due within one year	4,535,000
Due in more than one year	77,500,000
Total liabilities	85,712,410
NET ASSETS	
Invested in capital assets, net of related debt	40,454,249
Restricted for:	
Capital projects	1,246,567
Low and moderate income programs	35,763,696
Unrestricted	7,769,513
Total net assets	\$ 85,234,025

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) and Changes in Net Assets</u>
Governmental activities:			
Current:			
General government	\$ 3,892,621	\$ -	\$ (3,892,621)
Housing	1,231,914	-	(1,231,914)
Redevelopment capital	991,942	-	(991,942)
Debt service:			
Interest	<u>2,519,227</u>	-	<u>(2,519,227)</u>
Total governmental activities	<u>8,635,704</u>	<u>-</u>	<u>(8,635,704)</u>
	General revenues:		
	Property taxes		12,861,722
	Investment earnings		2,408,276
	Other revenue		<u>1,510</u>
	Total general revenues		<u>15,271,508</u>
	Change in net assets		6,635,804
	Net assets, beginning of year		<u>78,598,221</u>
	Net assets, end of year		<u><u>\$ 85,234,025</u></u>

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Balance Sheet
Governmental Funds
June 30, 2004

	General	Special Revenue	Capital Projects	Debt Service Funds		Total Governmental Funds
				1993 Tax Allocation Bonds	1995 Refunding Tax Allocation Bonds	
Assets						
Cash and investments	\$ 3,402,771	\$ 9,170,718	\$ 6,035,700	\$ -	\$ -	\$ 18,609,189
Loans receivable	10,990	27,526,804	-	-	-	27,537,794
Accrued interest receivable	26,093	31,742	48,939	-	-	106,774
Due from other agencies	-	-	150,959	-	-	150,959
Due from City General Fund	281,253	-	-	-	-	281,253
Properties held for resale	433,952	-	-	-	-	433,952
Restricted assets:						
Cash and investments with fiscal agent	-	-	63,592,693	974	686,094	64,279,761
Total assets	<u>\$ 4,155,059</u>	<u>\$ 36,729,264</u>	<u>\$ 69,828,291</u>	<u>\$ 974</u>	<u>\$ 686,094</u>	<u>\$ 111,399,682</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 4,130	\$ 81,477	\$ 364,933	\$ -	\$ -	\$ 450,540
Deposits	154,108	60,500	-	-	-	214,608
Deferred revenue	281,253	-	-	-	-	281,253
Loans payable	-	750,000	-	-	-	750,000
Total liabilities	<u>439,491</u>	<u>891,977</u>	<u>364,933</u>	<u>-</u>	<u>-</u>	<u>1,696,401</u>
Fund Balances:						
Reserved for:						
Encumbrances	824,636	73,591	1,264,082	-	-	2,162,309
Non-current assets	433,952	27,526,804	150,959	-	-	28,111,715
Debt service	-	-	-	974	686,094	687,068
Redevelopment activities	2,456,980	-	68,048,317	-	-	70,505,297
Low and moderate income housing	-	8,236,892	-	-	-	8,236,892
Total fund balances	<u>3,715,568</u>	<u>35,837,287</u>	<u>69,463,358</u>	<u>974</u>	<u>686,094</u>	<u>109,703,281</u>
Total liabilities and fund balances	<u>\$ 4,155,059</u>	<u>\$ 36,729,264</u>	<u>\$ 69,828,291</u>	<u>\$ 974</u>	<u>\$ 686,094</u>	<u>\$ 111,399,682</u>

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2004

Total governmental fund balances (page 13)	\$ 109,703,281
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	57,219,233
Costs incurred to refund bonds are an expenditure in the governmental fund but they must be reported as deferred issuance costs in the government-wide financial statements.	305,341
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.	(20,356)
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(82,035,000)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred.	(924,997)
Government funds debt costs such as issuance costs, discounts, and losses on advance refunding are reported as an expenditure when those costs are first incurred because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge in the government-wide financial statements.	1,699,658
Governmental funds premium received on the issuance of debt is recorded as revenue when received because the premium provides current financial resources. However, premiums must be included as deferred revenue in the government-wide financial statements.	(994,388)
Certain special assessment revenues are earned but unavailable to pay for current period expenditures, and, therefore, are deferred in the funds.	281,253
Net assets of governmental activities (page 11)	\$ 85,234,025

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
Fiscal Year ended June 30, 2004

	General	Special Revenue	Capital Projects	Debt Service Funds		Total Governmental Funds
				1993 Tax Allocation Bonds	1995 Refunding Tax Allocation Bonds	
Revenues:						
Incremental property taxes	\$ 10,356,053	\$ 2,589,013	\$ -	\$ -	\$ -	\$ 12,945,066
Use of money and property	304,874	411,398	1,675,844	4,439	11,721	2,408,276
Other revenues	-	1,510	-	-	-	1,510
Total revenues	10,660,927	3,001,921	1,675,844	4,439	11,721	15,354,852
Expenditures:						
Current:						
Supplies and services	1,175,358	452,359	-	-	-	1,627,717
Projects	1,440,060	767,675	1,911,994	-	-	4,119,729
Other expenditures	25,857	11,880	-	-	-	37,737
Debt service:						
Principal	-	-	2,085,000	-	3,125,000	5,210,000
Interest	-	33,842	2,032,067	226,511	816,488	3,108,908
Bond issuance costs	-	-	941,288	-	-	941,288
Total expenditures	2,641,275	1,265,756	6,970,349	226,511	3,941,488	15,045,379
Excess (deficiency) of revenues over (under) expenditures	8,019,652	1,736,165	(5,294,505)	(222,072)	(3,929,767)	309,473
Other financing sources (uses):						
Proceeds from bond issuance	-	-	34,810,000	-	-	34,810,000
Payments to bond escrow agent	-	-	(7,545,341)	-	-	(7,545,341)
Original issue discount	-	-	-	-	-	-
Original issue premium	-	-	1,133,830	-	-	1,133,830
Transfers in	-	-	8,188,427	-	1,313,538	9,501,965
Transfers out	(8,259,926)	-	-	(1,242,039)	-	(9,501,965)
Total other financing sources (uses)	(8,259,926)	-	36,586,916	(1,242,039)	1,313,538	28,398,489
Net change in fund balances	(240,274)	1,736,165	31,292,411	(1,464,111)	(2,616,229)	28,707,962
Fund balances, beginning of fiscal year	3,955,842	34,101,122	38,170,947	1,465,085	3,302,323	80,995,319
Fund balances, end of fiscal year	\$ 3,715,568	\$ 35,837,287	\$ 69,463,358	\$ 974	\$ 686,094	\$109,703,281

**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, 2004**

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

Net change in fund balances - total governmental funds (page 15)	\$ 28,707,962
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	1,861,340
Less current year depreciation	<u>(1,251,346)</u>
	609,994
Costs incurred to refund bonds are an expenditure in the governmental fund but they must be reported as a deferred charge in the government-wide financial statements.	305,341
Deferred charges on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.	(20,356)
Governmental fund revenues deferred in prior year due to unavailability were received in the current year but already booked in the statement of activities last year.	(83,344)
Repayment and refunding of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	12,450,000
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(357,387)
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are accrued and reported in the period when the liability exists in the statement of activities.	(166,406)
Issuance of long-term debt is reported as revenue of the governmental funds when received because it provides current financial resources. However, these amounts are recorded as long-term debt in the government-wide financial statements.	(34,810,000)
Net change in net assets of governmental activities (page 12)	<u>\$ 6,635,804</u>

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

Government-wide financial statements

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2004

Fund Financial Statements

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

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

The Agency reports the following major governmental funds:

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of the Agency's 1995, 2001, and 2003 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 and 2003 Tax Allocation Bonds.

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

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

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

D. Investments

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

E. Incremental Property Tax

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

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

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.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

F. Properties Held for Resale

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

G. Self-Insurance

For purposes of general liability, the Agency is self-insured. As of June 30, 2004, management is not aware of any outstanding claims that would require accrual.

H. Low and Moderate Income Housing

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

I. Capital Assets

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

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

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

J. Use of Estimates

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets, plus or minus unamortized bond issuance costs, discounts, or premiums. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 2. DEPOSITS AND INVESTMENTS

The Agency's cash and investments are managed by the City Treasurer. All of the Agency's cash, except for its investments in the State of California Local Agency Investment Fund (LAIF) and cash and investments with fiscal agents, is combined with the City's overall invested pooled cash in order to maximize return. Interest earned on pooled investments is allocated monthly to the various Agency funds based on the respective fund's average monthly cash balance. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The following summarizes total cash and investments of the Agency:

Pooled cash and investments	
Equity interest in City Pool	\$ 1,636,658
State of California LAIF	<u>16,972,531</u>
Total cash and investments	<u><u>\$ 18,609,189</u></u>
Cash and investments with fiscal agents	<u><u>\$ 64,279,761</u></u>

A. Deposits

The California Government Code requires California banks and savings and loans to secure public deposits by pledging government securities as collateral. The market value of the pledged securities must equal 110% of the Agency's deposits. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes equal to 150% of the deposits. The City may waive collateral requirements for deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

B. Investments

Under the terms of the City's investment policies, which have also been adopted by the Agency, the Agency is authorized, in accordance with Section 53601 of the California Government Code, to invest in the following instruments:

- Bonds issued by the City
- Securities issued or guaranteed by the Federal Government or its agencies
- Medium term notes of a maximum of five years maturity issued by corporations or depository institutions organized and operating within the United States
- Repurchase and reverse repurchase agreements of any securities authorized by the California Government Code
- Bankers' acceptances eligible for purchase by the Federal Reserve System
- Commercial paper, rated A-1/P-1
- Negotiable certificates of deposit issued by a nationally chartered bank, savings association, or credit union
- Certificates of deposit issued by commercial banks and savings and loan associations that are collateralized in accordance with the California Government Code
- State of California Local Agency Investment Fund (LAIF)
- U.S. Government money market mutual funds
- Demand deposit accounts

The City's investment policy also establishes a maximum term of 5 years at the time an investment is purchased, with the average maturity of the portfolio not to exceed 2 ½ years. The Agency's investments comply with the established policy.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

At no time during the fiscal year did the Agency borrow funds through the use of reverse repurchase agreements although such transactions are authorized by the City's investment policy.

Except for the Agency's investment in the State of California Local Agency Investment Fund (LAIF), all of the Agency's invested cash is combined with the City's pooled investments and, therefore, does not represent specific identifiable investments.

The Agency's investment in LAIF and investments with fiscal agents are summarized and categorized below. These categories, intended to indicate the level of custodial risk assumed by the Agency in its investments, are defined as follows:

	Category			Not Required To Be Categorized	Carrying Amount at Fair Value
	1	2	3		
<u>Cash and investments:</u>					
Pooled cash and investments	\$ -	\$ -	\$ -	\$ 1,636,658	\$ 1,636,658
State of California LAIF RDA	-	-	-	16,972,531	16,972,531
	-	-	-	18,609,189	18,609,189
<u>Investments with fiscal agents</u>					
Cash and cash equivalents	-	-	706,487	-	706,487
Guaranteed investment contracts	-	-	63,573,274	-	63,573,274
	-	-	64,279,761	-	64,279,761
Total investments	\$ -	\$ -	\$ 64,279,761	\$ 18,609,189	\$ 82,888,950

Category 1 - Investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Agency's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the counter party trust department or agent, but not specifically in the Agency's name.

Not subject to categorization - includes investments, defined by GASB Statement No. 3, such as mutual funds or government investment pools, which are not evidenced by securities that exist in physical or book entry form.

The management of the State of California Pooled Money Investment Account (PMIA), of which the Local Agency Investment Fund (LAIF) is a component, has indicated to the Agency that as of June 30, 2004, the carrying amount of the pool was \$57,600,699,158 and the estimated fair value of the pool (including accrued interest) was \$57,637,500,817. The Agency's proportionate share of that market value is \$16,972,531. Included in LAIF's investment portfolio are asset backed securities totaling \$923,459,000. LAIF's (and the Agency's) exposure to risk (credit, market or legal) is not currently available.

C. Funds with Fiscal Agent

The Agency has moneys held by trustees or fiscal agents pledged to the payment or security of certain bonds or projects funded by the bond proceeds. Cash and investments with fiscal agent are held pursuant to separate agreements with each fiscal agent. The California Government Code provides that these moneys, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 3. PROPERTIES HELD FOR RESALE

A summary of changes in properties held for resale follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Properties held for resale	\$ 433,952	-	-	\$ 433,952

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	Beginning Balance July 1, 2003	Increases	Decreases	Ending Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 38,871,689	\$ -	\$ -	\$ 38,871,689
Construction in progress	1,973,446	1,861,340	178,170	3,656,616
Total capital assets, not being depreciated	40,845,135	1,861,340	178,170	42,528,305
Capital assets being depreciated:				
Buildings	357,741	-	-	357,741
Improvements other than buildings	24,802,622	178,170	-	24,980,792
Infrastructure	1,924,786	-	-	1,924,786
Total capital assets being depreciated	27,085,149	178,170	-	27,263,319
Less accumulated depreciation for:				
Buildings	(26,831)	(8,943)	-	(35,774)
Improvements other than buildings	(11,197,975)	(1,146,163)	-	(12,344,138)
Infrastructure	(96,239)	(96,240)	-	(192,479)
Total accumulated depreciation	(11,321,045)	(1,251,346)	-	(12,572,391)
Total capital assets, being depreciated, net	15,764,104	(1,073,176)	-	14,690,928
Governmental activities capital assets, net	\$ 56,609,239	\$ 788,164	\$ 178,170	\$ 57,219,233

Depreciation expense of \$1,251,346 was charged to the General Governmental Function of the Agency.

The Agency has active construction projects as of June 30, 2004. The projects include design, engineering and construction of parking lots, improvements to a public park and replacement of damaged pedestrian crosswalks, and a recycling container program. At year-end the Agency's commitments with contractors were as follows:

Project	Spent To Date	Remaining Commitment
Carrillo St. Sidewalk Construction	\$ 313,456	\$ 578,355
Plaza Vera Cruz	17,213	2,380
Downtown Recycling Container Program	196,401	-
Parking Lot 6	3,129,546	1,502,082
Total	\$ 3,656,616	\$ 2,082,817

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 5. DUE FROM CITY GENERAL FUND AND TRANSFERS

As of June 30, 2004, the Agency had an outstanding receivable for reimbursement due in connection with the improvements made to the State Street sidewalks. The Agency advanced a portion of the costs, and the City is reimbursing these costs from the collective assessments levied against property owners along State Street. The outstanding balance of \$281,253 is offset by corresponding deferred revenue as the funds will not be received within 60 days.

Fund Transferred From	Fund Transferred To		Total
	Agency Capital Projects	Agency 1995 Tax Allocation Bond	
Agency General Fund	\$ 6,946,388	\$ 1,313,538	\$ 8,259,926
1993 Tax Allocation Bonds	1,242,039	-	1,242,039
Total	<u>\$ 8,188,427</u>	<u>\$ 1,313,538</u>	<u>\$ 9,501,965</u>

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

The Due from City General Fund on the Statement of Net Assets in the amount of \$281,253 is due from the City of Santa Barbara. In November 1998, the Redevelopment Agency authorized an advance to the City's General Fund for the purpose of funding capital costs for the State Street Sidewalk Improvement Project. This advance is being repaid over a period of five years with funds generated from an assessment district.

NOTE 6. LONG-TERM DEBT

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

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

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding Balance June 30, 2004
1995 Senior Series A	3.650 - 6.000%	12/01/95	03/01/08	\$ 28,170,000	\$ 9,080,000
1995 Subordinate Series B	4.375 - 6.350%	12/01/95	03/01/07	6,845,000	1,925,000
2001 Series A	4.000 - 5.000%	07/25/01	03/01/19	38,855,000	38,305,000
2003 Series A	2.000 - 5.000%	12/18/03	03/01/19	34,810,000	32,725,000
Total				<u>\$ 108,680,000</u>	<u>\$ 82,035,000</u>

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Balance 07/01/03	Additions	Refundings/ Retirements	Balance 06/30/04	Due Within One Year	Due in More Than One Year
Tax allocation bonds:						
1993 Series A	\$ 7,240,000	\$ -	\$ 7,240,000	\$ -	\$ -	\$ -
1995 Senior Series A	11,585,000	-	2,505,000	9,080,000	1,845,000	7,235,000
1995 Subordinate Series B	2,545,000	-	620,000	1,925,000	605,000	1,320,000
2001 Series A	38,305,000	-	-	38,305,000	-	38,305,000
2003 Series A	-	34,810,000	2,085,000	32,725,000	2,085,000	30,640,000
Total	<u>\$ 59,675,000</u>	<u>\$ 34,810,000</u>	<u>\$ 12,450,000</u>	<u>\$ 82,035,000</u>	<u>\$ 4,535,000</u>	<u>\$ 77,500,000</u>

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

Fiscal Year Ending	Principal Payments				Total
	1995 Senior Series A	1995 Subordinate Series B	2001 Tax Allocation	2003 Tax Allocation	
	2005	\$ 1,845,000	\$ 605,000	\$ -	
2006	1,935,000	640,000	-	2,145,000	4,720,000
2007	2,035,000	680,000	-	2,205,000	4,920,000
2008	3,265,000	-	-	1,140,000	4,405,000
2009	-	-	2,785,000	1,860,000	4,645,000
2010 - 2014	-	-	15,760,000	10,355,000	26,115,000
2015 - 2019	-	-	19,760,000	12,935,000	32,695,000
Principal payments outstanding	<u>9,080,000</u>	<u>1,925,000</u>	<u>38,305,000</u>	<u>32,725,000</u>	<u>82,035,000</u>

Fiscal Year Ending	Interest Payments				Total
	1995 Senior Series A	1995 Subordinate Series B	2001 Tax Allocation	2003 Tax Allocation	
2005	544,800	115,500	1,764,854	1,274,830	3,699,984
2006	434,100	79,200	1,764,854	1,233,130	3,511,284
2007	318,000	40,800	1,764,854	1,190,230	3,313,884
2008	195,900	-	1,764,854	1,146,130	3,106,884
2009	-	-	1,764,854	1,106,230	2,871,084
2010 - 2014	-	-	6,981,441	4,473,250	11,454,691
2015 - 2019	-	-	3,020,635	1,850,625	4,871,260
Interest payments outstanding	<u>1,492,800</u>	<u>235,500</u>	<u>18,826,346</u>	<u>12,274,425</u>	<u>32,829,071</u>
Total Debt Service Obligation	<u>\$ 10,572,800</u>	<u>\$ 2,160,500</u>	<u>\$ 57,131,346</u>	<u>\$ 44,999,425</u>	<u>\$ 114,864,071</u>

Defeasance of 1993 Redevelopment Agency Series 1993 Tax Allocation Bonds

On December 3, 2003 the Redevelopment Agency issued \$34,810,000 Tax Allocation Bonds, Series 2003A with an average coupon interest rate of 4.371% to advance refund \$7,240,000 of outstanding Redevelopment Agency Tax Allocation Bonds, Series 1993, with an average remaining coupon interest rate of 6.29%. A portion of net proceeds, totaling \$35,002,542 (including an original issue premium of \$1,133,830, less payment of \$941,288 in underwriting fees, bond insurance, and other issuance costs) plus an additional \$1,461,929 of 1993 Tax Allocation Bond reserve fund monies were used to purchase U.S. Government Securities. Those securities, totaling \$7,545,344, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Tax Allocation Bonds. As a result, the 1993 Tax Allocation Bonds are considered defeased and the liability for those bonds has been removed from the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of \$305,341. This difference, reported in the accompanying basic financial statements as a deferred charge, is being charged to operations through the final maturity date of the 2003 Tax Allocation Bonds in March 2019 using the straight-line method. The City completed the advance refunding to reduce its total debt service payments by \$1,545,656 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$295,654.

Prior Year's Defeasance of Debt

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

The Agency has complied with all significant bond covenants.

NOTE 7. LOANS RECEIVABLE

Loans receivable in the governmental funds, totaling \$27,537,794 at June 30, 2004, consist of loans provided to low- and moderate-income households, with interest ranging from 3% to 8% and maturities up to 20 years.

NOTE 8. CLASSIFICATION OF NET ASSETS

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

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

NOTE 9. LITIGATION

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

NOTE 10. OTHER REQUIRED DISCLOSURES – CERTIFICATES OF PARTICIPATION

In 1984, the Redevelopment Agency of the City of Santa Barbara issued certificates of participation in order to finance the acquisition and construction of certain harbor improvements to the Santa Barbara Harbor. These improvements were leased to the City of Santa Barbara for the benefit of the Tidelands Trust Fund, which is now known as the Waterfront Fund, an enterprise fund of the City. These certificates were refunded in 1986 and in 1992, and during the current year refunded in through the issuance of the 2002 \$19,405,000 Refunding Certificates of Participation. Pursuant to an agreement dated July 2, 2002, the rights to the lease payments from the Waterfront Fund have been assigned to the Redevelopment Agency, a trustee for the benefit of the registered owners of the Certificates. Accordingly, the liability associated with the obligations under the Certificates of Participation have been recorded within the Waterfront Fund and are therefore not included as a liability of the Redevelopment Agency. As of June 30, 2004, the Refunding Certificates of Participation have an outstanding balance of \$18,195,000.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 11. SUBSEQUENT EVENT

On September 14, 2004, the RDA issued \$7,150,000 Tax Allocation Housing Bonds, Series 2004A to finance redevelopment activities in the Central City Redevelopment Project Area. The bonds were issued at a premium of \$33,957 with interest rates ranging from 3.0% to 3.75%, and a final maturity date of July 1, 2018. Interest will be paid semiannually on January 1 and July 1 of each year. The majority of the proceeds will be used as a grant to a non-profit developer, which will use the grant to construct and develop the Villa Caridad, a 95-unit senior affordable housing facility.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2004

BUDGETARY INFORMATION

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

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

Public hearings are conducted to obtain taxpayer comments.

Prior to June 30, the budget is legally enacted through the passage of a resolution.

Expenditures may not legally exceed appropriations at the fund level.

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

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

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, 2004

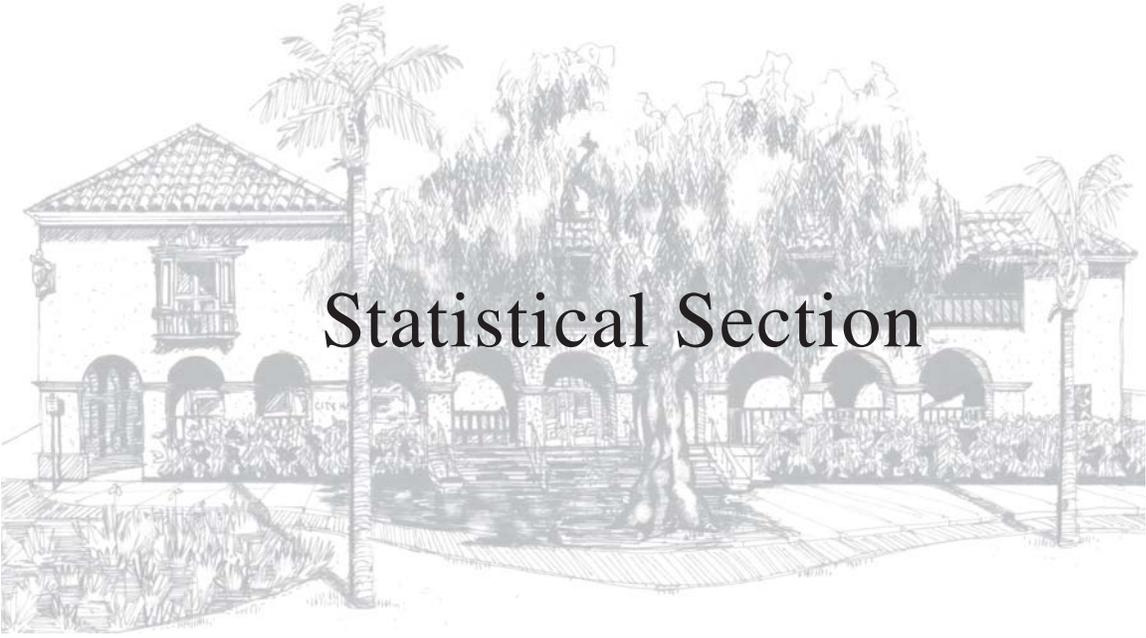
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (GAAP)
For the Fiscal Year Ended June 30, 2004

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Property taxes	\$ 10,480,000	\$ 10,480,000	\$ 10,356,053	\$ (123,947)
Use of money and property	229,000	229,000	304,874	75,874
Total revenues	<u>10,709,000</u>	<u>10,709,000</u>	<u>10,660,927</u>	<u>(48,073)</u>
EXPENDITURES				
Current:				
Supplies and services	1,222,334	1,224,044	1,175,358	48,686
Projects	2,181,666	3,069,344	1,440,060	1,629,284
Other expenditures	75,000	46,475	25,857	20,618
Total expenditures	<u>3,479,000</u>	<u>4,339,863</u>	<u>2,641,275</u>	<u>1,698,588</u>
Excess of revenues over expenditures	<u>7,230,000</u>	<u>6,369,137</u>	<u>8,019,652</u>	<u>1,650,515</u>
Other Financing Sources (Uses)				
Transfers out	(7,230,000)	(8,260,000)	(8,259,926)	74
Total other financing sources (uses)	<u>(7,230,000)</u>	<u>(8,260,000)</u>	<u>(8,259,926)</u>	<u>74</u>
Net change in fund balances	-	(1,890,863)	(240,274)	1,650,589
Fund balances, beginning of fiscal year	<u>3,955,842</u>	<u>3,955,842</u>	<u>3,955,842</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 3,955,842</u>	<u>\$ 2,064,979</u>	<u>\$ 3,715,568</u>	<u>\$ 1,650,589</u>

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2004

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (GAAP)**
For the Fiscal Year Ended June 30, 2004

	Special Revenue Housing Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Property taxes	\$ 2,620,000	\$ 2,620,000	\$ 2,589,013	\$ (30,987)
Use of money and property	550,000	550,000	411,398	(138,602)
Other Revenue	-	-	1,510	1,510
Total revenues	3,170,000	3,170,000	3,001,921	(168,079)
EXPENDITURES				
Current:				
Supplies and services	518,968	610,610	452,359	158,251
Projects	2,585,032	2,054,888	767,675	1,287,213
Other expenditures	66,000	72,298	11,880	60,418
Debt Service:				
Interest	-	-	33,842	(33,842)
Total Expenditures	3,170,000	2,737,796	1,265,756	1,472,040
Net change in fund balances	-	432,204	1,736,165	1,303,961
Fund balances, beginning of fiscal year	34,101,122	34,101,122	34,101,122	-
Fund balances, end of fiscal year	\$ 34,101,122	\$ 34,533,326	\$ 35,837,287	\$ 1,303,961



Statistical Section

Table 1

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
General Expenditures By Function
Last Ten Fiscal Years
(Unaudited)**

<u>Year ended June 30</u>	<u>Supplies and services</u>	<u>Projects</u>	<u>Principal</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
1995	\$ 570,544	\$ 5,235,716	\$ 2,270,000	\$ 3,379,742	\$ 392,265	\$ 11,848,267
1996	652,085	1,490,561	3,115,000	2,373,841	700,449	8,331,936
1997	967,789	4,662,105	2,970,000	2,499,501	1,182,002	12,281,397
1998	838,540	4,709,516	3,085,000	2,373,706	88,882	11,095,644
1999	880,215	5,785,578	3,225,000	2,235,642	240,489	12,366,924
2000	889,276	2,213,070	3,410,000	2,057,685	27,663	8,597,694
2001	928,917	6,937,224	3,600,000	1,867,900	16,327	13,350,368
2002	1,365,565	4,588,864	4,345,000	2,776,806	75,522	13,151,757
2003	1,474,379	4,507,554	3,985,000	3,239,464	35,577	13,241,974
2004	1,627,717	4,119,729	5,210,000	3,108,908	37,737	14,104,091

Source: City of Santa Barbara Finance Department

Table 2

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
General Revenues By Source
Last Ten Fiscal Years
(Unaudited)**

<u>Year ended June 30</u>	<u>Tax Increment</u>	<u>Use of Money and Property</u>	<u>Other</u>	<u>Total</u>
1995	\$ 7,627,615	\$ 1,178,957	\$ 3,536,859	\$ 12,343,431
1996	7,601,512	1,066,972	321,830	8,990,314
1997	7,744,675	1,606,952	83,246	9,434,873
1998	8,039,594	1,542,905	214,480	9,796,979
1999	9,234,958	1,273,690	1,491,456	12,000,104
2000	9,624,123	1,406,226	1,411,869	12,442,218
2001	11,183,224	1,990,859	16,699	13,190,782
2002	11,852,589	2,570,358	3,700	14,426,647
2003	12,850,918	2,459,648	11,200	15,321,766
2004	12,945,066	2,408,276	1,510	15,354,852

Source: City of Santa Barbara Finance Department

Table 3

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Property Tax Rates - All Overlapping Governments
per \$100 of assessed value
Last Ten Fiscal Years
(Unaudited)

<u>Year ended June 30</u>	<u>County</u>	<u>City</u>	<u>Schools</u>	<u>State Water Project</u>	<u>Total</u>
1995	1.00000	-	0.00102	-	1.00102
1996	1.00000	0.00639	0.00122	-	1.00761
1997	1.00000	0.01119	0.00104	-	1.01223
1998	1.00000	-	0.01106	-	1.01106
1999	1.00000	-	0.02221	-	1.02221
2000	1.00000	-	0.01919	-	1.01919
2001	1.00000	-	0.02724	-	1.02724
2002	1.00000	-	0.02799	-	1.02799
2003	1.00000	-	0.02707	-	1.02707
2004	1.00000	-	0.02530	-	1.02530

Source: County of Santa Barbara: Tax Rates and Assessed Valuations
Assessor's Role

Table 4

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
 Assessed Values - Tax Levy
 Last Ten Fiscal Years
 (Unaudited)

Year ended June 30		Secured				
		Base year	Assessed value	Increment assessed value	Tax rate	Tax levy
1995	CCRP	\$ 96,895,229	\$ 732,903,848	\$ 636,008,619	1.00102	\$ 6,366,574
	Unitary Allocation	-	-	-		249,712
		<u>96,895,229</u>	<u>732,903,848</u>	<u>636,008,619</u>		<u>6,616,286</u>
1996	CCRP	96,895,229	727,262,303	630,367,074	1.00761	6,351,688
	Unitary Allocation	-	-	-		243,581
		<u>96,895,229</u>	<u>727,262,303</u>	<u>630,367,074</u>		<u>6,595,269</u>
1997	CCRP	96,895,229	737,801,977	640,906,748	1.01223	6,415,736
	Unitary Allocation	-	-	-		240,153
		<u>96,895,229</u>	<u>737,801,977</u>	<u>640,906,748</u>		<u>6,655,889</u>
1998	CCRP	96,895,229	745,437,239	648,542,010	1.01106	6,491,257
	Unitary Allocation	-	-	-		245,928
		<u>96,895,229</u>	<u>745,437,239</u>	<u>648,542,010</u>		<u>6,737,185</u>
1999	CCRP	96,895,229	839,243,063	742,347,834	1.02221	7,423,478
	Unitary Allocation	-	-	-		244,642
		<u>96,895,229</u>	<u>839,243,063</u>	<u>742,347,834</u>		<u>7,668,120</u>
2000	CCRP	96,895,229	881,000,563	784,105,334	1.01919	7,842,139
	Unitary Allocation	-	-	-		249,239
		<u>96,895,229</u>	<u>881,000,563</u>	<u>784,105,334</u>		<u>8,091,378</u>
2001	CCRP	96,895,229	985,145,500	888,250,271	1.02724	8,882,504
	Unitary Allocation	-	-	-		257,735
		<u>96,895,229</u>	<u>985,145,500</u>	<u>888,250,271</u>		<u>9,140,239</u>
2002	CCRP	96,895,229	1,052,767,254	955,872,025	1.02799	9,559,877
	Unitary Allocation	-	-	-		282,199
		<u>96,895,229</u>	<u>1,052,767,254</u>	<u>955,872,025</u>		<u>9,842,076</u>
2003	CCRP	96,895,229	1,120,196,483	1,023,301,254	1.02707	10,234,201
	Unitary Allocation	-	-	-		301,149
		<u>96,895,229</u>	<u>1,120,196,483</u>	<u>1,023,301,254</u>		<u>10,535,350</u>
2004	CCRP	96,895,229	1,159,048,840	1,062,153,611	1.02530	10,622,748
	Unitary Allocation	-	-	-		260,946

Unsecured

Year ended June 30		Base year	Assessed value	Increment assessed value	Tax rate	Tax levy	Total Tax Levy
1995	CCRP	\$ 29,620,144	\$ 139,613,904	\$ 109,993,760	1.00102	\$ 1,101,654	\$ 7,468,228
	Unitary Allocation	-	-	-		-	249,712
		<u>29,620,144</u>	<u>139,613,904</u>	<u>109,993,760</u>		<u>1,101,654</u>	<u>7,717,940</u>
1996	CCRP	29,620,144	140,093,386	110,473,242	1.00761	1,105,859	7,457,547
	Unitary Allocation	-	-	-		-	243,581
		<u>29,620,144</u>	<u>140,093,386</u>	<u>110,473,242</u>		<u>1,105,859</u>	<u>7,701,128</u>
1997	CCRP	29,620,144	141,643,067	112,022,923	1.01223	1,128,754	7,544,490
	Unitary Allocation	-	-	-		-	240,153
		<u>29,620,144</u>	<u>141,643,067</u>	<u>112,022,923</u>		<u>1,128,754</u>	<u>7,784,643</u>
1998	CCRP	29,620,144	157,264,725	127,644,581	1.01106	1,277,774	7,769,031
	Unitary Allocation	-	-	-		-	245,928
		<u>29,620,144</u>	<u>157,264,725</u>	<u>127,644,581</u>		<u>1,277,774</u>	<u>8,014,959</u>
1999	CCRP	29,620,144	171,154,453	141,534,309	1.02221	1,416,617	8,840,095
	Unitary Allocation	-	-	-		-	244,642
		<u>29,620,144</u>	<u>171,154,453</u>	<u>141,534,309</u>		<u>1,416,617</u>	<u>9,084,737</u>
2000	CCRP	29,620,144	172,343,113	142,722,969	1.01919	1,427,229	9,269,368
	Unitary Allocation	-	-	-		-	249,239
		<u>29,620,144</u>	<u>172,343,113</u>	<u>142,722,969</u>		<u>1,427,229</u>	<u>9,518,607</u>
2001	CCRP	29,620,144	203,618,295	173,998,151	1.02724	1,739,980	10,622,484
	Unitary Allocation	-	-	-		-	257,735
		<u>29,620,144</u>	<u>203,618,295</u>	<u>173,998,151</u>		<u>1,739,980</u>	<u>10,880,219</u>
2002	CCRP	29,620,144	216,818,104	187,197,960	1.02799	1,871,979	11,431,856
	Unitary Allocation	-	-	-		-	282,199
		<u>29,620,144</u>	<u>216,818,104</u>	<u>187,197,960</u>		<u>1,871,979</u>	<u>11,714,055</u>
2003	CCRP	29,620,144	228,957,836	199,337,692	1.02707	1,993,377	12,227,578
	Unitary Allocation	-	-	-		-	301,149
		<u>29,620,144</u>	<u>228,957,836</u>	<u>199,337,692</u>		<u>1,993,377</u>	<u>12,528,727</u>
2004	CCRP	29,620,144	232,693,845	203,073,701	1.02530	2,030,737	12,653,485
	Unitary Allocation	-	-	-		-	260,946
		<u>29,620,144</u>	<u>232,693,845</u>	<u>203,073,701</u>		<u>2,030,737</u>	<u>12,914,431</u>

Table 5

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
BUILDING PERMITS, BANK DEPOSITS AND
TAXABLE SALES - CITY AND COUNTY
Last Ten Calendar Years
(Unaudited)**

Year	Building Permits (1)		City Bank Deposits (2)	Sales Tax (3)			City as Percent of County
	Number	Value		Number of City Tax Permits	City Taxable Transactions	County Taxable Transactions	
1994	1,169	\$ 31,295,200	\$ 2,476,291,000	4,718	\$ 1,085,045,000	\$ 3,177,546,000	34.1
1995	941	29,997,500	2,475,462,000	4,829	1,104,519,000	3,226,206,000	34.2
1996	1,154	44,700,000	2,480,641,000	4,971	1,175,157,000	3,466,195,000	33.9
1997	1,221	40,500,000	2,400,073,000	4,996	1,253,902,000	3,614,586,000	34.7
1998	2,898	71,864,802	2,532,596,000	4,939	1,354,183,000	3,927,578,000	34.5
1999	3,064	74,783,741	2,572,521,000	4,961	1,439,155,000	4,195,291,000	34.3
2000	3,133	76,267,301	2,918,985,000	4,881	1,542,213,000	4,629,350,000	33.3
2001	2,722	90,268,504	2,911,023,000	4,869	1,580,609,000	4,953,412,000	31.9
2002	2,998	64,170,362	3,272,386,000	4,780	1,551,762,000	5,032,285,000	30.8
2003	3,277	97,297,284	3,759,862,000	4,957	1,563,298,000	5,141,084,000	30.4

Source: (1) Information provided by City of Santa Barbara Building Inspection Division.

(2) Federal Deposit Insurance Corporation (FDIC) - Research and Statistics.

(3) Taxable Sales in California - State Board of Equalization - Research and Statistics Division.

Table 6

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Ten Largest Employers - South Santa Barbara County (1)
June 30, 2004
(Unaudited)

<u>Name</u>	<u>Activity</u>	<u>Number employed</u>
University of California, Santa Barbara	Education	9,500
County of Santa Barbara	Government	4,467
Santa Barbara Cottage Hospital	Health Care	1,951
Raytheon/ E-Systems	Manufacturer	1,875
Santa Barbara City Community College	Education	1,570
Santa Barbara High School District	Education	1,230
Sansum-Santa Barbara Medical Foundation Clinic	Health Care	1,170
City of Santa Barbara	Government	1,066
U. S. Postal Service	Postal Service	1,005
Santa Barbara Bank & Trust	Bank	820

Source: Santa Barbara Chamber of Commerce.

(1) With the adoption of Article XIII A of the California Constitution in 1978, property tax as an indicator of economic stability/dependency diminished in importance. Accordingly, the Agency has elected to depict the ten largest employers in South Santa Barbara County as a measure of overall economic stability of the City.

Table 7

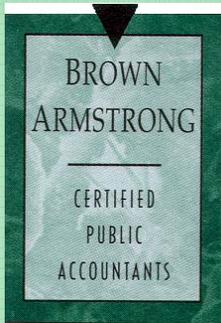
REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fidelity Bonds of Principal Officials
Year ended June 30, 2004
(Unaudited)

<u>Name</u>	<u>Title of Official</u>	<u>Amount of fidelity bond</u>
James L. Armstrong	Executive Director and Secretary	\$ 5,000,000
Robert D. Peirson	Agency Treasurer	5,000,000
All other employees handling money affiliated with the Agency	Various	5,000,000

Source: City of Santa Barbara Risk Management



Compliance and Internal Control Section



**BROWN ARMSTRONG
PAULDEN MCCOWN STARBUCK & KEETER**

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Lynn R. Krausse, CPA, MST
Bradley M. Hankins, CPA
Melinda A. McDaniels, CPA
Sharon Jones, CPA, MST
Thomas M. Young, CPA
Amanda E. Wilson, CPA
Diana Branthoover, CPA
Rosálva Flores, CPA
Connie M. Perez, CPA
Matthew Gilligan, CPA

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

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

We have audited the financial statements of the governmental activities each major fund of the Redevelopment Agency of the City of Santa Barbara, a component unit of the City of Santa Barbara as of and for the year ended June 30, 2004, which collectively comprise the Agency's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, Section 33080.1(a) of the Health and Safety Code of the State of California, and the procedures contained in the Controllers of the State of California "Guidelines for Compliance Audits of California Redevelopment Agencies."

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *guidelines for compliance audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Accounting and Reporting. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

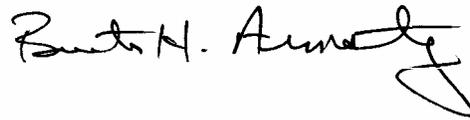
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be

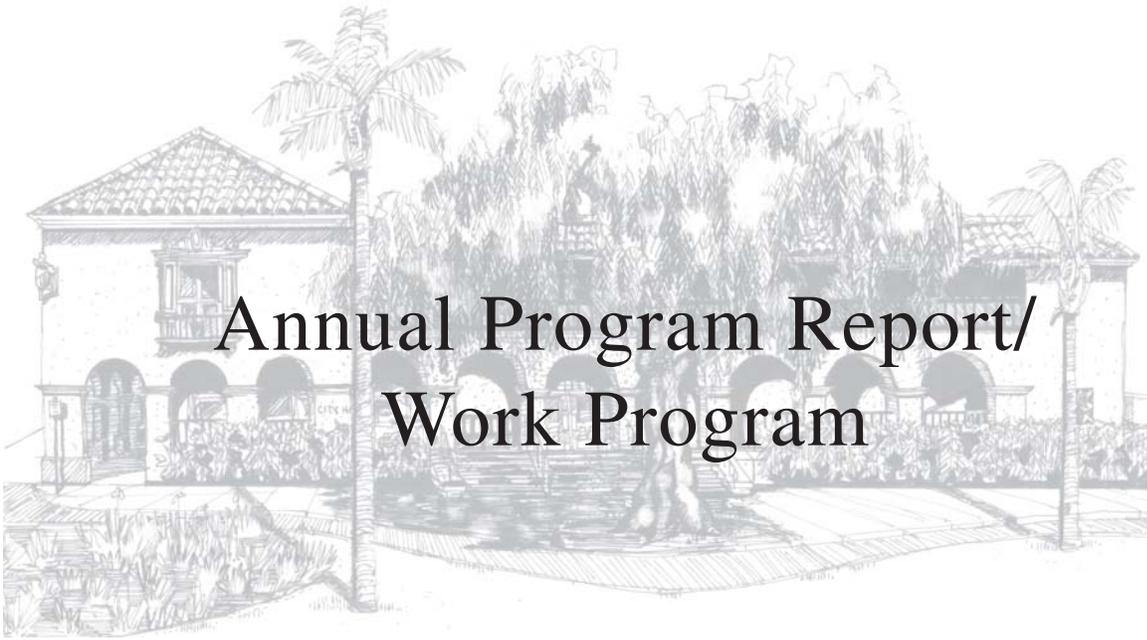
detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

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

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Brent H. Armstrong". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Bakersfield, California
October 1, 2004



Annual Program Report/ Work Program

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

INTRODUCTION

This report, covering fiscal year ended June 30, 2004, 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 2004.

CENTRAL CITY REDEVELOPMENT PROJECT AREA

916 STATE STREET PUBLIC RESTROOMS (2001A BOND AND 2003A BOND)

In January 2001, the engineering firm of Howard and Van Sande was retained as the prime design consultants for the proposed public restrooms to be located at 916 State Street. This site is between Borders Books and Music and the Fiesta Five Theatres and will be integrated into the façade of City Parking Structure #9. In 2003, the Redevelopment Agency Board rejected all bids for the project and asked staff to look for ways to reduce the overall project cost. City staff analyzed other options including remodeling of other public restrooms, free standing automated public toilets, a redesigned 916 State Street public restroom, expansion of the Visitor Restroom Program, and a brochure showing all of the City's public restrooms. In June 2004, the Agency Board directed City staff to: proceed with a modified 916 State Street restroom design, facilitate the expansion of the Visitor Restroom Program, produce a brochure/map of all public restrooms, and to pursue a construction cost analysis for a remodel and expansion of the Parking Structure #10 restroom.

STATE STREET SIDEWALKS PHASE I MODIFICATIONS (CAPITAL FUND)

The Redevelopment Agency is currently in the initial stages of the State Street Sidewalk Phase I Modifications project. The Agency will be going back and improving certain items related to Phase I (1000-1200 blocks) of the Sidewalk Improvement Project completed back in 1999. These improvements will focus primarily on handicap ramp improvements and electrical wiring for existing art pads and irrigation improvements. The Agency allocated \$125,000 in Fiscal Year 2003 for the project and \$115,000 remains. Bids have been received and are being analyzed by City staff. The project is currently scheduled for completion in fiscal year 2005.

DOWNTOWN RECYCLING CONTAINER PROGRAM - PHASE I (CAPITAL FUND)

In 2002, City Council approved Solid Waste Policies, Principles, Goals and Strategies, which included the goal of becoming the recycling leader in the State of California. As part of that strategy, the Redevelopment Agency funded the first of a four-phase program to install public recycling containers. The targeted sites within the Redevelopment Project Area for Phase I of the program included: State Street, from Victoria Street to Cabrillo Boulevard, and two adjacent blocks to the west (De La Vina), and east (Santa Barbara Street). Phase I replaced 70 trash containers with clusters of recycling, trash and cigarette butt receptacles. The new receptacles are made out of recycled stainless steel and the old containers will be refurbished for use in various City parks. The Agency Board budgeted \$200,000 to cover the new containers and their installation.

CARRILLO STREET SIDEWALK CONSTRUCTION PROJECT (2003A BOND)

The existing sidewalks between Chapala Street and Anacapa Street along Carrillo Street have deteriorated and have been pushed up in many locations by tree roots. The project consists of the removal of the existing asphalt-patched concrete sidewalks; the removal and replacement of damaged curbs, as necessary; and, the construction of new brick sidewalks in the 00 East and 00 West blocks of Carrillo Street. The work also includes the replacement, as necessary, of water meter boxes, streetlight and traffic signal pull boxes, existing roof drains beneath the sidewalk; repair of cross-gutters, construction of storm drain inlets, piping, a driveway, and irrigation lines, installation of root barriers around trees; street signs, bicycling hitching posts, and, trash/recycling containers. On June 4, 2002, in an effort to improve this highly visible downtown corridor, the Agency Board approved funding for the Carrillo Street Sidewalk Project in the Redevelopment Agency's budget for Fiscal Year 2003. On April 8, 2003, the Agency Board designated the Carrillo Street Sidewalk project as a priority project and directed staff to pursue its implementation; however, progress was halted over concern about the state budget shortfall. On March 30, 2004, the Agency Board awarded the \$422,834 construction contract to Granite Construction. Construction began May 3, 2004, and is expected to be completed in early fiscal year 2005.

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

GRANADA GARAGE (2001A BOND & 2003A BOND)

The City Council approved the development of the Granada Garage in March 2001 after a study had determined that State Street businesses above Carrillo Street were not as robust as those below. The Granada Garage will be a six-level parking structure (two levels below ground) with 575 parking spaces and will include offices for the Downtown Parking Operations, and a bike station. The architecture of the garage will be Mediterranean in style and will feature new paseos and landscaping surrounding the structure. The garage will be located at the present site of the Lot 6 parking lot (corner of Anacapa and Anapamu) and will provide much needed parking for the local businesses located north of Carrillo Street. Due to problems with cost and design, a new firm, Watry Design, was selected for a redesign in December 2003. Further contracts with Esgil Corporation for plan check services and Padre and Associates for geotechnical review services were awarded in January 2004. In April 2004, the City Council awarded a construction management services contract with the team of MNS and Tishman. At the time of this report, construction bids are slated for opening on August 4, 2004. To date, the design and initial construction phases have cost slightly over \$3.5 million in Redevelopment funds. The Agency has \$15 million remaining from the Series 2001A bond proceeds and an additional \$4 million in Series 2003A bond proceeds to fund the garage construction.

WEST DOWNTOWN IMPROVEMENT PROGRAM (2003A BOND)

Two decades have elapsed since the last neighborhood study (1981 West Downtown Community Revitalization Study) was completed on the West Downtown neighborhood. The West Downtown area is that portion of the Central City Redevelopment Project area bordered by Carrillo Street on the north, Highway 101 on the west and south, and Chapala Street on the east. In November 2002, the RDA held two widely-noticed public meetings that included about 40 participants from the community. The purpose of the meetings was to present and solicit suggestions for capital improvements that would improve the West Downtown neighborhood and to get feedback and a sense of priority. A report summarizing these suggestions was forwarded to the Redevelopment Agency Board and will be used as a reference for future improvements to the area. The project scope is being developed by the City's Transportation Planning Division with a primary focus on the Anapamu Street and Ortega Street Bridge corridor improvements. The Agency has allocated \$4 million from its Series 2003A bond proceeds for this program.

CHAPALA STREET STREETScape DESIGN GUIDELINES (CAPITAL FUND)

While the majority of development in downtown Santa Barbara has been focused on State Street over the last 30 years, Chapala Street south of Carrillo Street is quickly emerging as a focus of private redevelopment. Pedestrian amenities, landscape elements, and a cohesive streetscape theme are lacking, while private development in the corridor is burgeoning. Agency staff, in collaboration with the Planning Division and Transportation Division of Public Works, initiated a design guidelines process. Conceptual Motion Company, in a joint venture with Shubin and Donaldson Architects, is leading the design process. The product of the design process will be guidelines similar to the State Street Landscaping Guidelines, including text and renderings. A series of community meetings gathered input from local developers, business owners, merchants, and various design review boards. A public workshop was held on February 21, 2004, with the stakeholders in order to review the conceptual planning and design for Chapala Street. The Guidelines continue to be refined as the Historic Landmarks Committee and the Planning Commission begin their review. Another public workshop is planned for October before the Guidelines return to the City Council for approval.

LOUISE LOWRY DAVIS CENTER RESTORATION (2003A BOND)

In Fiscal Year 2002, \$350,000 was budgeted to fund the Parks and Recreation Department's interior and exterior renovation improvements to the Louise Lowry Davis Center (Center) located at 1232 De La Vina Street. One of the project's main goals is to make the Center better suited to accommodate individuals with disabilities through compliance with current Americans with Disabilities Act (ADA) standards. The Center hosts many senior citizen activities including card-playing, bingo, informational lectures, tax and insurance counseling, stroke rehabilitation, yoga and tai chi. This rehabilitation project will also improve the heating system and create a well-

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

defined entrance and reception area leading from the parking lot. The project received Preliminary Approval from the Architectural Board of Review in February of this year. Final approval is contingent upon completion of the environmental review and acceptance of a Phase I Archaeology Report, as well as design details pertaining to awnings, concrete color, exterior lighting and landscaping. The latest construction estimate totals approximately \$675,000. Funds spent to date include costs associated with preliminary design and final design. The Agency has altered the funding source for the project and allocated \$800,000 out of its Series 2003A bond proceeds towards the project.

PLAZA VERA CRUZ PARK (CAPITAL FUND)

Funds have been appropriated for improvements to an existing downtown park located between Haley and Cota Streets. Improvements will include a new handicap accessible playground, drinking fountain, benches, and various landscaping improvements. The Parks and Recreation Department is working on a conceptual design and holding neighborhood meetings. These improvements will be accomplished using State grant funds in addition to the \$77,000 budgeted by the Redevelopment Agency for the design. New playground equipment has been installed near Haley Street. Arcadia Studios is supplying the design services for this project. The Parks Division is finalizing design for both landscaping and hardscape improvements, including re-paving of the existing road surface and lighting.

CULTURAL ACTIVITIES

STATE STREET SCULPTURE GALLERY (CAPITAL FUND)

The State of the Art Gallery is a unique collaboration of the City and County of Santa Barbara and the Downtown Organization and is part of the City's commitment to placing public art in the heart of its Cultural Arts District. In response to several requests that the next State of the Art Gallery exhibition feature locally produced art, County Arts Commission staff has begun developing a slide registry for Tri-County artists producing sculpture that is suitable for outdoor public exhibition. The State of the Art Gallery Curatorial Committee was granted authority to use \$9,050 of the remaining 2002 funding to continue with public outreach and education efforts throughout 2003 and an additional \$35,000 was granted for the local artists' exhibit, *Altering Space: Sculpture in the Public Eye* at the Channing Peake Gallery in the County Administration building during the August and September 2003. Artist Dan Horgan constructed a site-specific piece in the County Courthouse. StreetSmART, a daylong symposium provided over 40 selected high school art students from throughout the City and 12 UCSB art student teachers exposure to Public Art and to Santa Barbara artists with experience in public art. The students were mentored by the local artists and by the end of the day, produced mock art projects. City TV documented the events of the day. Funds were also used to present a lecture on public art in the Cultural Arts District.

SURPLUS LOT 6 PROPERTIES (CAPITAL FUND)

As an opportunity acquisition, the Agency is considering acquiring nine separate parcels (or portions thereof) located adjacent to City Parking Lot 6 and the Granada Building. The property is mostly located on an interior portion of the block with a 12' x 110' paseo walkway that extends to State Street. The site is currently improved with the walkway and a surface parking lot, which is incorporated into City Parking Lot 6 and leased by the City on a month-to-month basis. These parcels could provide temporary parking area and staging during Lot 6 construction, or potentially be used as either a site for Ensemble Theatre or other redevelopment project, or as an affordable housing site. The first step was the initiation of an appraisal, which was completed in October 2002. At this point, the only expenditures have been for appraisal services with Reeder, Gilman and Associates for \$14,400. Offer letters, mailed in January 2003, received no positive response. Fiscal concerns related to the State budget have delayed this project. Now, since a considerable amount of time has elapsed, an updated appraisal is being pursued in order to move forward with the project. The reappraisal will be performed by the original appraisal firm, Reeder, Gilman and Borquist and completion is expected in September 2004.

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

PLAZA DE LA GUERRA MASTER PLAN (CAPITAL FUND)

Recognizing the community importance of Plaza de la Guerra (the Plaza), the Agency funded Phase III of the Master Plan process. Phase III includes the development of a master plan and its presentation to the City Council for incorporation into the City's General Plan and El Pueblo Viejo Guidelines. The original grant totaling \$35,000 for all three phases was allocated in Fiscal Year 1999-2000.

Phase I was initiated In 1999, when the Santa Barbara Trust for Historic Preservation was granted \$12,500 for the production of a high quality book to serve as the official record of all the historic papers, essays, architectural drawings, and historical photographs of the Plaza. The book "Plaza de la Guerra Reconsidered" has been published and circulated.

In December 2000, the Agency Board granted the Downtown Organization \$12,500 to complete Phase II. The focus of this Phase was to gather input and identify issues about future improvement and use of the Plaza by holding professionally facilitated stakeholder meetings. In early 2001, a "Core Group" of key participants took part in the process. The Core Group was composed of property owners of parcels adjacent to the Plaza and representatives from: the Parks and Recreation Commission, Historic Landmarks Commission, the Santa Barbara News-Press, the Downtown Organization, the Santa Barbara Conservancy, the City Council, the City Administrator's Office, the Parks and Recreation Department, and the Redevelopment Agency. This group has met seven (7) times in the previous year in their efforts to design a process that is inclusive and considerate of various viewpoints and issues associated with upgrading the Plaza. The Core Group has worked toward improving the Plaza with simple, people-oriented improvements to the infrastructure and scheduling activities to help celebrate the Plaza's role as a vital part of the community.

In March 2002, the Downtown Organization received a grant for the final \$10,000 from this fund to outline components of a master plan and a General Plan Amendment for Plaza De La Guerra. The Master Plan would provide the City with a clear direction for improving the entire area including landscape, hardscape, and parking. Key issues relate to parking in the loop road, trash collection, pedestrian circulation, public restrooms, programming and facility upgrades. The Council held a public hearing on March 16, 2004; however, there was not a consensus to adopt the Amendment. A Council subcommittee is now evaluating what infrastructure improvements should be made in the interim period prior to the next General Plan Update. During this fiscal year, the Redevelopment Agency was called upon to fund an unscheduled electrical upgrade for the Plaza at a cost of \$40,000.

SANTA BARBARA TRUST FOR HISTORIC PRESERVATION - EL PRESIDIO 2003
(CAPITAL FUND)

The Redevelopment Agency continues to support the Santa Barbara Trust for Historical Preservation's (Trust) restoration of the El Presidio State Park in downtown Santa Barbara. As part of the Fiscal Year 2003 budget, the Agency provided a matching grant of \$250,000 to the Trust to use towards its current project activities that include: reconstruction of the original Presidio defense wall running from Canon Perdido Street to the Pico Adobe; complete construction of much-needed ADA restrooms, and the completion of four rooms, one of which will serve as a visitor center. The Trust hired Milford Wayne Donaldson (architect on the Santa Barbara Railroad Station restoration), to provide the design and to act as agent for the project with the City and the State of California. A Section 106 Study was necessary to qualify for a Santa Barbara County Association of Governments' TEA-21 grant. The Trust also learned later in the process that the construction would have to go out to competitive bid, causing the Trust to incur further costs. The Agency and the Trust renegotiated the terms of the grant agreement in order to make funds available for the Section 106 Study and to defray some of the costs associated with the competitive bid process. The Trust received State approvals in May 2004 to commence construction and was scheduled to receive full City approvals in May 2004. To date, the Trust has been reimbursed \$85,000 by the Agency.

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***SANTA BARBARA TRUST FOR HISTORIC PRESERVATION - CASA DE LA GUERRA
(CAPITAL FUND)***

In Fiscal Year 2000, the Santa Barbara Trust for Historic Preservation (Trust) was awarded a grant of \$100,000 for restoration activities at the Casa de la Guerra that focused on Room 1 of the West Wing, the Utility Room, an archaeological report for the areas of disturbance, and the Street in Spain portions of Casa de la Guerra. The \$144,000 grant from Fiscal Year 2002 is being used for roof work on the East and West Wing, new Entrance Steps, historic door handles, repair of the stone foundation on Street in Spain side, and finish work on Rooms One, Two, Three and Four to complete the restoration. This will serve as the foundation for Plaza de la Guerra, historically the City's cultural center. To date, the Trust has completed the roof restoration on the East Wing, which included replacing rafters with round beams with leather strapping and caning, "Room One" needed extensive renovation after a wall was replaced. "Room Two" had storage cabinets for volunteers and kitchen facilities. "Room Three" is now an ADA-compliant restroom, the Entrance Steps have been made hazard-free, and the Stone foundation has been restored along the Street of Spain. All areas required archaeological monitoring.

HOLIDAY ART SCULPTURES (CAPITAL FUND)

In 2001, the Downtown Organization requested an Agency matching grant for \$6,000 to assist in the construction and installation of three public, holiday art pieces. The pieces were installed along State Street in the Cultural Arts District and acted as another special holiday season attraction for the Downtown Business Community within the Central City Redevelopment Project Area. Local artist Dominique Reboul created the whimsical pieces entitled the Tightrope Walker, the Circus Juggler, and the Dancing Bear. The art pieces were approximately 16-feet tall and composed of steel, galvanized steel, and aluminum. They were installed in three separate locations along State Street in mid-November 2001 and were removed in late-January 2002. The Downtown Organization received another grant of \$32,800 in FY 2003 towards five additional holiday art sculptures that are anticipated to be ready for the 2004 holiday season.

DOWNTOWN ORGANIZATION CULTURAL PROMOTIONS (CAPITAL FUND)

The Downtown Organization was granted funding to promote the Cultural District of State Street north of Carrillo Street to counteract the decline in activity in that area as measured by the City's 1999 report, *Economic Analysis: North of Carrillo*. Activities conducted by the Downtown Organization have included extensive media, film, and print campaigns to promote downtown as the region's primary arts, dining, and retail center. The Agency budgeted \$58,500 for Cultural Promotions during the Fiscal Year 2004. The elements of the integrated promotional program include: a 30-second television spot; local and regional radio advertising; and a print campaign that included a multi-issue magazine and newspaper contract. A Historic Arts District map/brochure was also developed and printed in Fiscal Year 2004.

WATERFRONT AREA

SANTA BARBARA MARITIME MUSEUM (CAPITAL FUND)

The Redevelopment Agency funded several cultural grants as part of the Fiscal Year 2003 budget. After delays caused by the uncertainty of the State budget impact, the Agency Board, on October 2002, gave final approval of a \$500,000 matching grant to the Santa Barbara Maritime Museum for the design, construction, and implementation of four interactive educational exhibits at the Maritime Museum (Safety at Sea, Navigation and Piloting, Surfing, and Channel Islands). The Santa Barbara Maritime Museum was able to verify matching funds in December 2003. Progress has been made on the exhibits and to date, the museum has completed the Safety at Sea exhibit, and the Surfing and Channel Islands exhibits are in the design stage. The Agency has reimbursed the Maritime Museum \$111,403 for their expenses.

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SANTA BARBARA RAILROAD STATION IMPROVEMENT PROJECT (CAPITAL FUND)

A considerable amount of capital remains in the account (approximately \$195,000), primarily for possible renovation issues. The Railway Express Agency (REA) building is located adjacent to the Railroad Depot building. A number of improvements at the REA building have been proposed as part of a new lease with the retail bicycle operation that occupies the site. Improvements are scheduled to be completed in Fiscal Year 2005 and cost approximately \$22,000.

SIGNALMAN'S BUILDING (CAPITAL FUND)

The Agency received Caltrans Transportation Enhancement Activities (TEA) funding in the amount of \$172,000 to develop the Signalman's Building into a visitor information center annex and/or a small railroad museum. Plans originally called for development of a Visitor Center for this site; however, as the Visitor Center will now be incorporated into a private project under development in the same area, it is proposed that the building serve as a small railroad museum. Alex Cole Associates prepared the required Section 106 study for the improvements. The Redevelopment Agency is currently in negotiations with the Union Pacific Railroad Co. over the building's ultimate use.

HISTORIC RAILROAD SPUR (CAPITAL FUND)

The Agency has applied for Caltrans funding for the development of the Historic Railroad Spur with a restored rail car for use as a display center. The project has met Caltrans eligibility requirements and has been selected for funding. The Caltrans matching grant will be an estimated \$350,000. The Agency has allocated \$46,000 in matching funds towards the development of the Historic Railroad Spur. Agency staff has met with Caltrans officials to move the project forward.

RAILROAD SOUTH PARKING LOT - 125 STATE STREET (CAPITAL FUND)

At the time the development plans for the Railroad Station Improvement Project were approved, a 47-space parking lot was to be constructed on the parcel just south of the railroad tracks (125 State Street). In 1996, the Chamber of Commerce approached the Agency with a request to develop a new visitor center on this lot instead. The Agency agreed, and the design of a visitor center was underway when the construction cost estimate came in substantially higher than expected. In May 1999, the Agency decided to participate as a co-applicant in a private development at the corner of State Street and Cabrillo Boulevard, then called La Entrada (now Ritz Carlton), and incorporated the proposed Visitor Information Center for the Chamber of Commerce into this project, thereby allowing the 125 State Street site to be developed as a parking lot as originally approved. The engineering firm of Flowers and Associates produced the preliminary redesign. The inclusion of a paseo walkway and increased landscaping and a more pedestrian-oriented design has resulted in a reduction from 47 to 40 proposed parking spaces. The final design team consisted of Flowers and Associates, Associated Transportation Engineers, and David Black and Associates, Landscape Architects, for a total contract amount of \$47,583. The Agency will be submitting the project to the Planning Commission early in Fiscal Year 2005. The Agency has reserved \$307,000 for the development of the parking lot.

WATERFRONT PROPERTY DEVELOPMENT - 125 CALLE CESAR CHAVEZ (2003A BOND)

The Agency acquired four adjoining parcels in the waterfront area in April 2001, with the potential of future acquisition of three more parcels also owned by the Spumoni Holding Company. The City loaned the Agency \$2,875,000 for the purchase. The loan was paid off with a portion of the proceeds from the Series 2001A bond issued in July 2001.

Meanwhile, a comprehensive planning effort to determine the ultimate use of the four original parcels totaling 2.4 acres at 125 Calle Cesar Chavez is currently on hold due to the State budget crisis and current economic conditions. A determination will be made whether to go forward with a proposed extension of Cacique Street, which would require a significant amount of the area of the present parcels or construct a multiuse path instead. Some of the uses suggested to date for the property include the development of a community arts center - (housing performing arts rehearsal space and art workspace), remote parking for the Cacique Street homeless

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shelter, a maintenance and operations center for the school districts and recycling facility and various recreational and social service uses. A total of \$3,000,000 was appropriated in the 2003A Bond for the future development of the parcels.

OTHER ACTIVITIES

TRANSPORTATION MANAGEMENT PROGRAM

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

SOUTH COAST COMMUNITY INDICATORS

The Agency provided \$4,000 as partial funding of an annual statistical report that measures the quality of life indicators on the South Coast. The data produced is helpful to the Agency in planning its activities that address blight in the Project Area.

HAZARDOUS WASTE AT LOT 12

Parking Lot 12 was originally the site of a dry cleaning business. There was contamination both in the soil and the groundwater when the property was purchased by the City in 1991 for use as a parking lot. The City successfully remediated the chlorinated constituents in the soil to concentrations below the clean-up levels set by the Regional Water Quality Control Board (RWQCB). But the groundwater continued to have contamination well above the clean-up threshold. It was determined that an in-situ remedial action would be required. The Regional Water Quality Control Board recommended a new dechlorination technology by which chlorinated solvent groundwater plumes can be contained and/or remediated with the use of Hydrogen Release Compound (HRC). Padre Associates, Inc. contracted to prepare a remedial action plan, utility clearance, application of the HRC compound via a geoprobe, monitoring before and after injection and provide a written summary. Regensis was the vendor for the HRC. To date, the HRC was applied in April 2003 and monitoring is continuing. The total cost of the remediation is expected to be \$40,500. The HRC was injected in April 2003, with groundwater monitoring following in December 2003 and June 2004. Contaminant concentrations have decreased significantly to below regulatory action levels. The City has requested case closure from RWQCB.

EDUCATION REVENUE AUGMENTATION FUND (ERAF)

The State budget was signed by the Governor on July 31, 2004, and included provisions to shift state redevelopment agency monies to the Education Revenue Augmentation Fund using formulas that governed the similar shift in the early 1990's. Redevelopment agencies would be required to shift property tax revenues to K-12 schools and community colleges. The City of Santa Barbara Redevelopment Agency met its \$704,140 ERAF obligation for Fiscal Year 2004.

AGENCY'S AFFORDABLE HOUSING PROGRAM

4200 CALLE REAL (ST. VINCENT'S)

Mercy Housing California, a State-wide nonprofit housing developer, has received Agency approval for two low-income rental housing projects to be built on the site of the former St. Vincent's School, a 19-acre site recently annexed by the City near Highway 154 and Calle Real. One is a 75-unit project for families, and the other is a 95-unit project for seniors. The Agency has committed a total of \$17.4 million to the two projects, including \$3.7 million of predevelopment loan funds already disbursed. The County of Santa Barbara has committed \$4.4

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million. The majority of the remaining funding will come from HUD Section 202 funds for the senior project and four percent tax credits for the family project. Construction is expected to start next fiscal year.

319 WEST CARRILLO STREET (WEST CARRILLO STREET STUDIOS)

The Agency recently provided the City's Housing Authority with \$1,775,000 in loan funds for acquisition of property near their recently completed Casa de Las Fuentes "Downtown Worker" affordable rental housing project that was reported last year. The Agency also provided a predevelopment loan in the amount of \$300,000. The Housing Authority plans to build 60 studio units on the half-acre site and is applying for low-income housing tax credits. Construction is expected to start next fiscal year.

309 – 327 SOUTH VOLUNTARIO STREET

The Agency and City have provided a total of \$2 million in grant and loan funds to the City's Housing Authority for the construction of 20 new affordable housing units. The property is located adjacent to an existing 7-unit Housing Authority project. The existing units are being renovated and incorporated into the design of the new units resulting in one unified 27-unit affordable housing project. Construction is underway and is expected to be complete during the next fiscal year.

818 GARDEN STREET (LEONORA COOK APARTMENTS)

Laguna Cottages for Seniors, a local nonprofit organization that provides low-income seniors with affordable housing, has begun construction of 11 new senior studio units adjacent to their existing 44-unit senior facility. The City and Agency have provided \$807,000 in grants, and Laguna Cottages has raised an additional \$1 million in private grants to develop the new units. In securing grants instead of loans, Laguna Cottages is able to offer rent levels affordable to very low-income seniors. Construction is underway and is expected to be complete during the next fiscal year.

1221 ANACAPA STREET (LOT 6 HOUSING)

The Agency selected Peoples' Self-Help Housing Corporation through a Request for Proposals process for the development of 8 new affordable housing units adjacent to the new Granada Garage parking structure. Peoples' is a large nonprofit housing organization based in San Luis Obispo, with a local office in Santa Barbara. The Agency provided a \$60,000 predevelopment loan, and the City committed \$480,000 of federal HOME funds. Since then, it was decided to move the housing to a different location on the site and add 4 units to the project, bringing the total to 12 units. Additional City HOME funds will be needed to fund the four extra units. Construction is expected to start upon completion of the Granada Garage in Fiscal Year 2005-06.

210 WEST VICTORIA STREET (VICTORIA COTTAGES II)

Peoples' Self- Help Housing Corporation will build 6 new apartments on a portion of this small bungalow cottage court site. The City and Agency assisted Peoples' with the original acquisition and rehabilitation of the cottages, provided predevelopment loans totaling \$111,000 for designing the new units, and committed \$480,000 in federal HOME funds as permanent financing. Construction is expected to start next fiscal year.

617 GARDEN STREET

The Agency has executed a Memorandum of Understanding with the Mental Health Association in Santa Barbara County for the development of a mixed-use project that includes administrative offices, program space, and 50 units of affordable rental housing for low-income Mental Health Association clients and downtown workers. The Agency has conceptually committed to making a contribution of land and spending up to \$4.6 million on the project, of which \$385,000 has already been disbursed to cover predevelopment expenses. Low income housing tax credits are being sought and construction is expected to start in Fiscal Year 2006.

106 JUANA MARIA

The Agency and City together provided the Mental Health Association in Santa Barbara County with grants totaling \$425,000 for the acquisition of a single family home. The Mental Health Association in Santa Barbara County had rented and operated the home for 19 years as a board and care facility for its clients. When the property came up for sale, it was feared that new owners would not allow the facility to continue operating. The

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Agency and City acted quickly to preserve the at-risk affordable housing and to ensure the operation of a critical service to the community.

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

The Agency provided Transition House with a \$320,000 loan for the acquisition of 421-425 E. Cota Street, consisting of two mixed-use buildings – one with nine residential units over ground floor commercial space, the other a former restaurant (“Mom’s” restaurant). The rear of the property is adjacent to the homeless shelter Transition House operates. Transition House acquired the property in order to expand its inventory of affordable housing available to families ready to leave the homeless shelter and to provide services for its clients. The building that housed the former restaurant has structural problems and will be demolished in order to make way for a new structure planned by Transition House that will feature space for day care on the ground floor and additional affordable housing on the upper two floors. Upon design of the new structure, Transition House plans to request additional Agency funding for the new construction.

320 SOUTH SALINAS STREET (CASA MARIANNA)

The City provided Transition House with financial assistance for the acquisition and rehabilitation of a 13-unit property located at 320 S. Salinas Street. Like the project described above, Transition House acquired the property in order to expand its inventory of affordable housing available to families ready to leave the homeless shelter Transition House operates. Transition House rehabilitated the existing 13-unit building with tenants in place. As units become vacant through normal turnover, Transition House makes them available as permanent housing to their clients. The site was large enough to allow Transition House to build 6 new units, which were recently completed, with financial support from the City in the form of a \$480,000 loan from federal HOME funds. Agency funds have not been used, however, Agency staff was actively involved in arranging City financing for the project.

3965 VIA LUCERO

The City committed \$240,000 of federal HOME funds to Habitat for Humanity for the acquisition of vacant land. Habitat for Humanity plans to construct 3 new low-income ownership units by using the well-tested formula that includes donated materials and technical assistance from the local development community, volunteer labor, future homeowners’ labor (sweat equity), and grant funds and donations from an array of foundations and local churches. Agency funds have not been used, however, Agency staff was actively involved in arranging City financing for the project.

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INTRODUCTION

This report, covering the projected program year for the fiscal year ending June 30, 2005, 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 2005 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2005, including appropriations from prior year balances.

FISCAL YEAR 2005 WORK PROGRAM

HOUSING PROGRAMS FUND PROJECTS

Housing Revolving Fund: \$500,000

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

REDEVELOPMENT AGENCY GENERAL FUND PROJECTS

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

Property Management: \$100,000

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

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

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

Hazardous Materials: \$25,000

Funds to investigate, characterize, and clean up toxic contaminants on Agency-owned properties. Funds are being used to mitigate groundwater contamination under Agency-owned Parking Lot 12.

South Coast Community Indicators Project: \$4,000

Funds for the partial cost of an annual statistical report that measures quality of life indicators on the South Coast. The data produced is helpful to the Agency in planning its activities that address blight in the Project Area. The City contributes \$6,000 of the total cost of \$70,000.

Downtown Organization Cultural Promotions 2005 \$58,500

Funds used to reimburse the Downtown Organizations' efforts to promote the historic/cultural downtown area.

Appropriated Operating Reserves: \$50,000

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REDEVELOPMENT CAPITAL FUND PROJECTS

Lower State Street Public Restrooms: \$550,000

Funds to design and construct proposed public restrooms in an undesignated location along lower State Street.

Spencer Adams Parking Lot and Site Improvements: \$150,000

Funds to assist the Parks Department with various parking lot and site improvements at the lawn bowling center.

Fig Tree Park Improvements: \$150,000

Funds to extend the existing sidewalk around the park fronting Montecito Street and around the entrance to the Railroad Station and for additional signage and ADA accessibility compliance.

Railroad Station Improvement: \$194,000

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

Chase Palm Park Wisteria Arbor: \$580,000

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

Artist Workspace: \$1,000,000

Funds designated to be used for supporting an artist workspace when appropriate locations have been identified.

SERIES 2001A TAX ALLOCATION BOND CAPITAL PROJECTS

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

Funds for the design and construction of a public parking structure, Granada Garage that includes 575 parking spaces, paseo improvements, a mid-block traffic signal on Anapamu Street, and the Downtown Parking office space. Project is set for construction to begin in September 2004.

Opportunity Acquisition Fund: \$5,161,400

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

Ensemble Theater: \$2,500,000

Funds for a development grant to Ensemble Theatre to build a 400-seat jewel box theater in the project area.

Granada Theater: \$3,000,000

Funds requested by the Santa Barbara Center for Performing Arts in order to acquire and renovate the Granada Theater as proposed in the concept of the Cultural Arts District

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Plan that is in the process of being formulated. Grant agreement is in process of being executed.

Mission Creek Flood Control Enhancement: \$2,480,000

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

SERIES 2003A TAX ALLOCATION BONDS CAPITAL PROJECTS

Granada Garage \$4,000,000

Additional funding for the construction of the Granada Garage.

State Street Sidewalks – 400 & 500 Blocks \$2,500,000

Funding for the continuation of the first three phases of the State Street Sidewalk Improvement Project. The project will include replacement of the existing tile sidewalks with brick sidewalks, various landscape improvements, and the inclusion of pedestrian amenities such as benches, trash cans, drinking fountains, and holiday lighting. A Request for Qualifications has been distributed for a Benefit Assessment District Engineer's Report. A Benefit Assessment District is the means by which the enhanced sidewalks and amenities were funded as in the previous phases of this improvement project.

Carrillo Street Sidewalks (000 West & 000 East Blocks) \$800,000

Funding to replace the severely degraded sidewalks in this highly visible section of Carrillo Street from Chapala to Anacapa with the State Street Design theme using brick. Project is underway.

Carrillo Recreation Center Restoration (100 W. Carrillo Street) \$5,000,000

Funding for interior and exterior renovation of the heavily-used Carrillo Recreation center. Upgrades to electrical, plumbing, structural and numerous aesthetic improvements.

Waterfront Property Development \$3,000,000

The proposed \$3,000,000 would be used to fund future development of the Agency-owned property at 125 Calle Cesar Chavez.

Cabrillo/State Streets Restroom Remodel \$300,000

The proposed project would include an interior and exterior rehabilitation to the current restroom located at the highly visible corner of State Street and Cabrillo Boulevard.

Fire Station #1 Remodel (121 W. Carrillo Street) \$3,300,000

Funding for a thorough renovation of the interior of Fire Station #1. Renovation would likely include: renovate and separate dormitory and bathrooms, seismic retrofit, upgrade windows, doors, lighting, security, and overall energy-efficiency of the building.

Cabrillo Boulevard Sidewalks – Wharf to Milpas Street \$3,100,000

Funding to repair and replace the existing sidewalk from Stearns Wharf to Milpas Street. The proposed project would also include landscaping enhancements where appropriate and the addition of pedestrian amenities such as benches and trash cans to be located on the new sidewalks.

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West Downtown Improvements

\$4,000,000

Funding for a series of capital improvement, including two primary projects: the Anapamu and Ortega Bridge corridor improvements. Proposed corridor improvements include upgrading pedestrian amenities such as sidewalk replacement where necessary (uplifted sidewalk sections due to tree roots, cracked and degraded sidewalk sections that cause trip hazards. etc.), general landscaping improvements where appropriate, and the possibility of additional pedestrian lighting where appropriate.

Louise Lowery Davis Center Remodel

\$800,000

Funding for interior and exterior improvements to this important downtown senior center. Proposed improvements would include a remodeling and upgrade of existing restrooms to ADA-compliant restrooms, improved accessibility throughout the building, upgraded electrical systems and plumbing systems, and numerous aesthetic improvements, including the possibility of replacing the existing roof.