

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, 2005



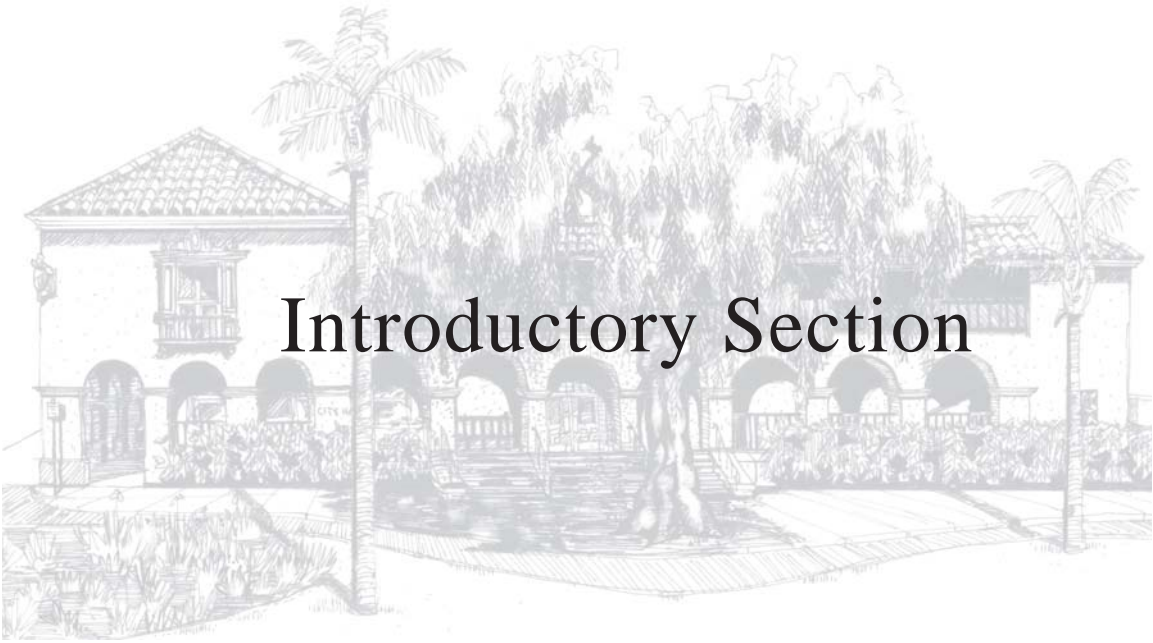
**Redevelopment Agency
of the City of
Santa Barbara, California**

A Component Unit of the City of Santa Barbara

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2005

ROBERT D. PEIRSON, AGENCY TREASURER



Introductory Section

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2005

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents.....	i-ii
Letter of Transmittal.....	iii-vi
Directory of Agency Officials.....	vii
<u>FINANCIAL SECTION</u>	
Independent Auditor’s Report.....	1 - 2
Management’s Discussion and Analysis (Required Supplementary Information).....	3 - 11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to	
Net Assets of Governmental Activities in the Statement of Net Assets.....	15
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	17
Notes to the Basic Financial Statements.....	18 - 28
Required Supplementary Information.....	29 – 30
Notes to the Required Supplementary Information.....	31
<u>STATISTICAL SECTION (not covered by Independent Auditor’s Report)</u>	
Table 1: General Expenditures by Function - Last Ten Fiscal Years.....	33
Table 2: General Revenues by Source - Last Ten Fiscal Years.....	34
Table 3: Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years.....	35
Table 4: Assessed Values - Tax Levy - Last Ten Fiscal Years.....	36 - 37
Table 5: Building Permits, Bank Deposits and Taxable Sales - City and County	
- Last Ten Calendar Years.....	38
Table 6: Ten Largest Employers - South Santa Barbara County.....	39
Table 7: Fidelity Bonds of Principal Officials.....	40
<u>COMPLIANCE AND INTERNAL CONTROL SECTION</u>	
Independent Auditor’s Report on Compliance (Including	
the Provisions Contained in the Guidelines for Compliance	
Audits of Redevelopment Agencies) and on Internal Control over	
Financial Reporting Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	41 - 42

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2005

Table of Contents (continued)

Page

ANNUAL PROGRAM REPORT/WORK PROGRAM

Annual Work Program Report - Fiscal Year 2005 (not covered by Independent Auditor's Report) 43 - 49
Annual Work Program Report - Fiscal Year 2006 (not covered by Independent Auditor's Report) 50 - 54



City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

November 15, 2005

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

The Comprehensive Annual Financial Report (CAFR) of the Redevelopment Agency of the City of Santa Barbara (Agency) for the Fiscal Year Ended June 30, 2005, 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 position 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 Redevelopment Agency, continue to increase. The residential real estate market in Santa Barbara has been very active during the last few years, attributable primarily to low interest rates and, in part, to a housing demand based on wealth and not current income. The median price of residential real estate on the South Coast, which includes Goleta, Santa Barbara, Montecito and Carpinteria, has reached and surpassed \$1,100,000, while non-residential real estate valuations have also reached new highs for the past three years. Increasing property tax revenues are expected to continue, albeit perhaps at more moderate rates, as rising real estate prices push assessed property values upward.

As the Redevelopment Agency moves into its final nine years of operation, numerous operational challenges await it. In Fiscal Year 2005, the Redevelopment Agency developed and approved the Agency's first Capital Improvement Program. The Capital Improvement Program will be used as a guide for the Agency in its efforts to maximize financial and physical impacts over the next nine years and to create programs to succeed the Redevelopment Agency.

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 572 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. McCarthy Construction was awarded the Granada Garage construction contract for \$19,833,000 in August 2004. Construction began in September 2005 and the completion date is on schedule for November 2005.

Public Restrooms

In June 2004, the Agency Board directed City staff to: proceed with a modified 914 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 #10 restroom. In November 2004, the City hired an architect to redesign the 914 State Street restroom with a more cost-efficient design. The cost estimate of \$460,000 is more than \$300,000 less than the original design. The project is expected to go out to bid in February 2006. City staff, working with the Downtown Organization, has recruited three more downtown businesses in the 700, 1000, and 1100 blocks of State Street to join the Visitor Restroom Program. A Visitor Restroom Agreement has been drafted which would increase the monthly compensation to cover all of the costs involved. A comprehensive downtown map showing all the City-owned public restrooms has been provided to both the Santa Barbara Regional Chamber of Commerce and the Downtown Organization. Both organizations have incorporated information from the map in their publications: "Welcome to Santa Barbara" (Chamber of Commerce) and "Downtown – Santa Barbara's Historic Arts District". The architect used in the 914 State Street restroom design also provided a cost estimate to remodel the single unisex restroom in Parking Structure #10 into two separate ADA compliant men and women's restrooms.

State Street Sidewalks Phase IV – 400/500 Blocks (2003A Bond)

Phases I through III of the State Street Sidewalk Improvement Project have brought significant streetscape improvements to the 600 through the 1200 blocks of State Street. In each phase, the Agency Board appropriated funds for the "Basic Project," which included replacement of the existing sidewalks with colored and patterned concrete, along with other enhancements that would improve pedestrian access and safety, diversify landscaping, and increase storefront visibility. In each phase, property owners expressed their preference for a more expensive brick sidewalk design, enhanced pedestrian amenities, and the addition of a holiday lighting system. Property owners in each phase have voted for a Benefit Assessment District to pay for the upgrade. The Agency has allocated \$2 million for the design and construction of Phase IV of the State Street Sidewalks Improvement Project which includes the 400 and 500 blocks of State Street between Gutierrez and Cota Streets. In April 2005, the City began the Benefit Assessment District process for Phase IV. In June 2005, at a public hearing, the Council adopted a Final Resolution to form the District. Preliminary Design approvals should be complete by August 2005 and the Final Design contract awarded in late September 2005. Construction is expected to begin in February 2006 and be completed before Memorial Day 2006.

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 corridor improvements. The scope of work will include landscape architecture that will create a consistent theme in a walkable corridor between the Westside and downtown. The top priorities of the project include pedestrian street lighting, sidewalk improvements, and landscaping. The Agency has allocated \$3.5 million from its Series 2003A bond proceeds for this program.

AGENCY'S AFFORDABLE HOUSING PROGRAM

21 East Anapamu Street (Granada Garage Housing)

The Agency selected Peoples' Self-Help Housing Corporation through a Request for Proposals process to develop affordable housing 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 grant, and Agency staff secured City HOME funds for the project in the form of a \$90,000 predevelopment loan and \$1,162,000 permanent loan. The 12-unit project is still in predevelopment and is expected to start upon completion of the Granada Garage in spring 2006.

4200 Calle Real (St. Vincent's Gardens & Villa Caridad)

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 million. Funding also includes HUD Section 202 funds for the senior project (Villa Caridad), low income housing tax credits for the family project (St Vincent's Gardens), and funds from the Daughters of Charity. The family project is now under construction. The senior project is still in predevelopment, with construction expected to start in fall 2005.

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.

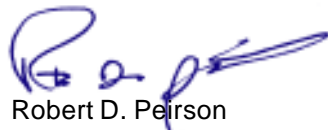
Acknowledgments

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, 2005

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

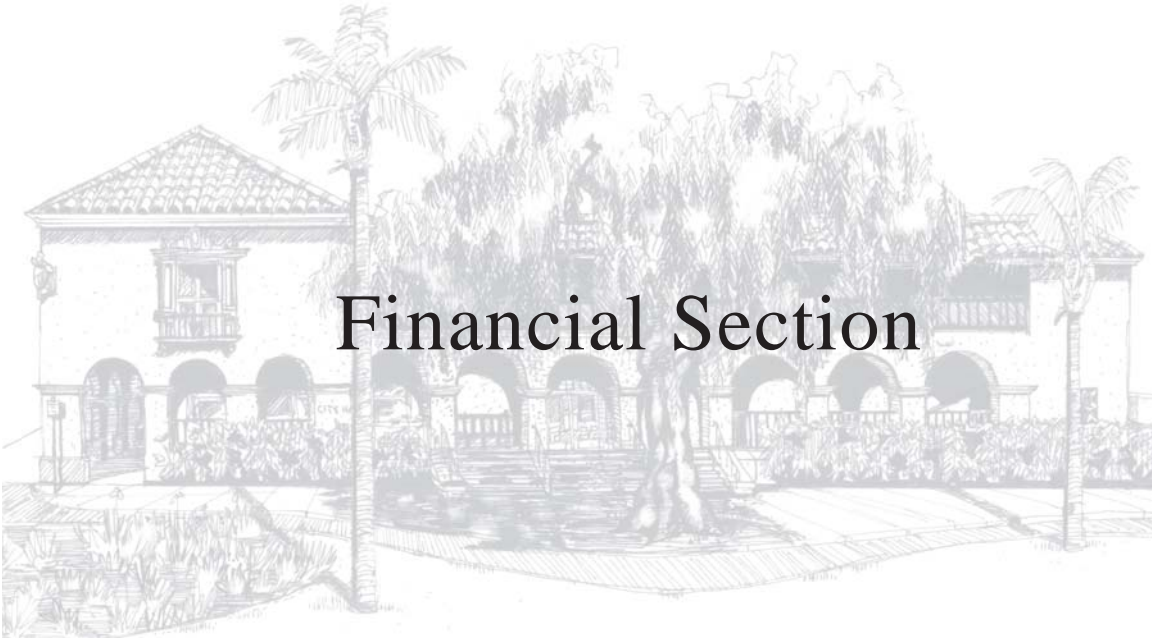
James L. Armstrong
Executive Director and Secretary

Paul Casey
Deputy Director

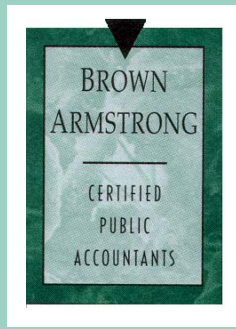
Stephen P. Wiley
Agency Counsel

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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Peter C. Brown, CPA
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

Eric H. Xin, CPA, MBA
Lynn R. Krausse, CPA, MST
Bradley M. Hankins, CPA
Rosalva Flores, CPA
Connie M. Perez, CPA
Sharon Jones, CPA, MST
Diana Branthoover, CPA
Matthew Gilligan, CPA
Dominic Brown, CPA
Ryan Johnson, CPA

INDEPENDENT AUDITORS' REPORT

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, California (the "Agency"), a component unit of the City of Santa Barbara, as of and for the year ended June 30, 2005, 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 general purpose 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, 2005, 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.

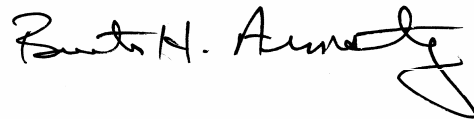
As discussed in Note 1 to the financial statements, in 2005 the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3.

The management's discussion and analysis and budgetary comparison information as listed in the 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the component unit financial statements that collectively comprise the component unit's basic financial statements. The introductory section and 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. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005 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
September 9, 2005

Redevelopment Agency of the City of Santa Barbara Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2005

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, 2005. 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, 2005 were \$182.1 million, an increase from prior year of approximately \$11.1 million.
- Net assets (assets over liabilities) of the Agency as of June 30, 2005 totaled \$92.4 million, an increase of \$7.2 million from prior year. Of the total, \$710,000 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, 2005 totaled \$16.3 million; and expenses totaled \$9.1 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 12 and 13 of this report.

Fund Financial Statements

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

Redevelopment Agency of the City of Santa Barbara Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2005

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 14 and 16 of this report.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Statement of Net Assets

Table 1 below provides a summary of the Statement of Net Assets as of June 30, 2005 and 2004, which can also be found on page 12 of this report.

Table 1 REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA Summary of Net Assets As of June 30, 2005 and 2004		
	2005	2004
Current and other assets	\$ 115,010,870	\$ 113,727,202
Capital assets	67,066,268	57,219,233
Total assets	182,077,138	170,946,435
Current liabilities	10,169,769	8,212,410
Long-term liabilities	79,460,000	77,500,000
Total Liabilities	89,629,769	85,712,410
Net assets:		
Invested in capital assets, net of related debt	46,438,082	40,454,249
Restricted	45,299,389	37,010,263
Unrestricted	709,898	7,769,513
Total Net Assets	\$ 92,447,369	\$ 85,234,025

As of June 30, 2005, assets for the Agency totaled \$182.1 million, an increase of approximately \$11.1 million from prior year. This overall increase is primarily due to the issuance of new bonds this year that resulted in a \$6.8 million increase in cash. The bonds were issued to provide funds for a low-income and senior housing project. Capital assets increased \$9.8 due to construction of the Granada Garage (as discussed later in this report) and loans receivable increased \$2.5 million. The increase in these assets was offset by corresponding reductions in cash and investments with fiscal agents, which were used to finance the construction costs.

Liabilities at year-end totaled approximately \$89.6 million, a \$3.9 million increase from the prior year. The largest factors contributing to the change are: The \$7.2 million from the issuance of new tax allocation bonds, \$1.4 million increase in accounts payable at year-end, the total of which was offset by the \$4.5 million principal retirement on outstanding tax allocation bonds.

Net assets as of June 30, 2005, totaled \$92.4 million. Of this total, \$46.4 million is invested in capital assets; \$45.3 million is restricted, of which \$38.3 million is restricted for low and moderate-income housing activities; and \$710,000 is unrestricted. In total, net assets increased by approximately \$7.2 million. This is primarily due to the addition of capital and infrastructure assets. Capital outlays are not accounted for as expenditures under the accrual method of accounting required by GASB 34 and, thus, have the effect of increasing assets and net assets.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Statement of Activities

Table 2 provides a summary of the Statement of Activities for the Agency for the fiscal years ended June 30, 2005 and 2004. As shown in Table 2, revenues for the year ended June 30, 2005, totaled \$16.3 million. Of this total, \$13.9 million (85%) 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 almost \$1 million (7.7%) from prior year.

Table 2 REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA Statement of Activities Fiscal Years Ended June 30, 2005 and 2004		
	2005	2004
General Revenues:		
Property Tax Increment	\$ 13,857,766	\$ 12,861,722
Interest Revenue	2,353,588	2,408,276
Other Revenue	85,882	1,510
Total Revenues	16,297,236	15,271,508
Expenses:		
General Government	4,390,094	3,892,621
Housing	672,611	1,231,914
Debt Service - Interest	3,885,655	2,519,227
Capital Improvements	135,532	991,942
Total Expenses	9,083,892	8,635,704
Increase in net assets	7,213,344	6,635,804
Net Assets, beginning of year	85,234,025	78,598,221
Net Assets, end of year	\$ 92,447,369	\$ 85,234,025

The other significant revenue is from the use of money and property, which totaled \$2.4 million. This consists of interest income on RDA loans, pooled cash, and investments held by fiscal agents. Interest on pooled cash and investments increased by \$82,237 as interest rates have started to climb and we are finally starting to see some upward movement in earnings. Interest on funds held by fiscal agents decreased \$124,310. Most of the proceeds from the 2001 bonds were earmarked for the construction of a new parking structure (the "Granada Garage"). Costs of constructing the Granada Garage exceeded \$10.7 million this year. As this project has proceeded this year, the funds on deposit with fiscal agents decreased with a resulting decrease in investment earnings. However, the RDA issued \$7.2 million in bonds for senior housing projects in July 2004. Interest earnings on the new bond funds partially offset the reduced interest resulting from the use of funds for construction of the Granada Garage. A large portion of this interest is being generated from the invested proceeds of the 2001 and 2003 Tax Allocation Bonds.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

Interest on RDA loans is not affected by the interest rate environment, but by loans outstanding and the interest rate contracted when the loans were made. Additionally, the accounting adjustment required by Governmental Accounting Standards Board Statement 31 resulted in a \$10,334 decrease in interest income compared to \$140,763 decrease in the prior year.

Expenses totaled \$9.1 million, which included \$3.9 million for interest on outstanding bonds and \$4.4 million for general government, which includes a \$1.3 million payment to the Educational Revenue Augmentation Fund. See further discussion of this shift in property taxes later in the Economic Factors and Next Year's Budget section of this analysis.

Net assets increased during the year as property tax increment and other revenues exceeded expenditures by \$7.2 million. This increase shows a considerable improvement in the financial condition of the Agency. The increase in net assets is the result of revenues exceeding operating expenditures. In total, the Agency received \$16.3 million in operating revenues, and incurred \$9.1 million in operating expenditures. This surplus, however, was entirely used to retire outstanding long-term bonds and fund the additional investment in capital assets, neither of which affects net assets.

ANALYSIS OF FUND FINANCIAL STATEMENTS

As previously noted, the fund financial statements are prepared using the modified accrual basis of accounting, where the focus is short-term (i.e., "spendable") financial resources. As such, the balance sheets of governmental funds present current assets and liabilities, and fund balance (assets over liabilities) represents amounts available to 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		
Redevelopment Agency of the City of Santa Barbara		
Balance Sheet		
As of June 30, 2005 and 2004		
	2005	2004
Assets		
Cash and investments	\$ 24,303,959	\$ 18,609,189
Accrued interest receivable	1,058,881	106,774
Due from other agencies	100,639	150,959
Due from City	192,909	281,253
Loans receivable	30,084,253	27,537,794
Properties held for resale	433,952	433,952
Cash and investments with fiscal agents	56,372,457	64,279,761
Total Assets	112,547,050	111,399,682
Liabilities		
Accounts payable	1,781,642	450,540
Deposits	226,608	214,608
Deferred revenue	192,909	281,253
Loans payable	750,000	750,000
Total Liabilities	2,951,159	1,696,401
Fund Balance		
Reserved for:		
Encumbrances	13,786,116	2,162,309
Non-current assets	30,615,299	28,111,715
Debt service	690,316	687,068
Redevelopment activities	56,331,706	70,505,297
Low and moderate income housing	8,172,454	8,236,892
Total Fund Balance	109,595,891	109,703,281
Total Liabilities and Fund Balance	\$ 112,547,050	\$ 111,399,682

Redevelopment Agency of the City of Santa Barbara Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2005

Table 3 summarizes the balance sheet of all governmental funds as of June 30, 2005, and June 30, 2004. Assets at June 30, 2005, totaled \$112.5 million.

The largest asset, at \$56.4 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, which will be used to finalize construction of the Granada Garage parking structure, provide funds for senior and low-income housing projects, and other downtown redevelopment projects. The balance represents funds held in reserve pursuant to related bond indenture provisions for the benefit of bondholders. Cash and investments with fiscal agents decreased by approximately \$7.9 million from prior year as these funds were disbursed for the related capital projects. This decrease was offset by an increase of \$5.7 million in pooled cash and investments (i.e. not held by fiscal agents). The increase is attributable to the sale of \$7.2 million in Housing Bonds, the proceeds of which will be used for the multi-family, low-income, housing projects on the old St. Vincent's property.

Loans receivable, which increased \$2.5 million from prior year, primarily include loans provided to low and moderate-income households from the 20% of tax increment set aside for housing pursuant to State law. It also includes loans provided to non-profit developers for purposes of increasing the number of affordable housing units in the City. As these loans are repayable over more than one year and therefore are not currently available for appropriation, a corresponding amount of fund balance is "Reserved for non-current assets" as shown in Table 3.

Total liabilities increased by almost \$1.3 million. The growth was almost entirely due to an increase in accounts payable related to the construction of the Granada Garage.

Although fund balance changed only slightly, from \$109.2 million to \$109.6 million at June 30, 2005, several components of fund balance did realize a material change. Amounts reserved for encumbrances increased by \$11.6 million due to construction contracts related to construction of the Granada Garage. The increase in reserve for non-current assets corresponds to the \$2.5 million increase in long-term loans receivable, as previously discussed. The \$14.2 million decrease in the reserve for redevelopment activities is the result of the consumption of bond funds for capital projects, either as direct expenditures or encumbrances.

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, 2005, including the originally adopted and final amended budget amounts.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

**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, 2005**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property tax increment	\$ 11,000,000	\$ 11,000,000	\$ 11,156,888	\$ 156,888
Interest revenue	199,000	199,000	347,538	148,538
Other revenue	-	-	85,000	85,000
Total Revenues	<u>11,199,000</u>	<u>11,199,000</u>	<u>11,589,426</u>	<u>390,426</u>
Expenditures				
Supplies and services	1,333,869	1,359,526	1,318,513	41,013
Projects	1,544,631	2,379,844	1,825,287	554,557
Other	76,732	76,741	15,461	61,280
Total Expenditures	<u>2,955,232</u>	<u>3,816,111</u>	<u>3,159,261</u>	<u>656,850</u>
Excess of revenues over expenditures	8,243,768	7,382,889	8,430,165	1,047,276
Operating transfers out	<u>(8,302,268)</u>	<u>(9,087,113)</u>	<u>(9,013,343)</u>	<u>73,770</u>
Net change in fund balance	(58,500)	(1,704,224)	(583,178)	1,121,046
Fund balance, beginning	<u>3,715,568</u>	<u>3,715,568</u>	<u>3,715,568</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,657,068</u>	<u>\$ 2,011,344</u>	<u>\$ 3,132,390</u>	<u>\$ 1,121,046</u>

As shown in Table 4, the adopted budget for revenues remained unchanged during the year at \$11.2 million. This included an \$11 million estimate for property tax increment revenues and \$199,000 for interest income. Actual revenues for the year were \$11.6 million, with the largest variance occurring in tax revenues. Because property tax revenues represent 98% of total budgeted revenues, amounts are budgeted conservatively and thus generally show a favorable variance at year-end.

Expenditures (excluding transfers) were budgeted at \$3 million on July 1, 2005 with the final budget increasing to \$3.8 million. The additional appropriations of \$860,879 consist of the carryover of appropriations from the prior year's budget. As shown in Table 4, only \$3.2 million was expended during the year, resulting in a favorable expenditure variance of approximately \$660,000.

The \$9 million in transfers out represents amounts transferred to debt service funds to cover principal and interest payments on outstanding bonds. A smaller portion is for transfers to the capital projects funds.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005**

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, 2005 and 2004.

Table 5		
Redevelopment Agency of the City of Santa Barbara		
Summary of Capital Assets		
As of June 30, 2005 and 2004		
	2005	2004
Land	\$ 38,871,689	\$ 38,871,689
Equipment	189,854	-
Buildings	313,023	321,967
Infrastructure	2,268,285	1,732,307
Improvements other than buildings	11,533,762	12,636,654
Construction in progress	13,889,655	3,656,616
Total	\$ 67,066,268	\$ 57,219,233

Total capital assets (net of \$13.8 million in accumulated depreciation) at June 30, 2005, were \$67.1 million, an increase of approximately \$9.8 million from prior year. The increase was net of \$11.1 million in additions and \$1.2 million of depreciation expense during the year. As shown in Table 5, construction in progress has increased by \$10.2 million from prior year. Construction in progress, totaling \$13.9 million, primarily consists of costs for the Granada Garage parking structure totaling \$13.8 million. The remaining balance is related to various smaller downtown projects.

Long-term Debt

As of June 30, 2005, the Agency had \$85 million in outstanding tax allocation bonds. In July 2004, the Agency issued the \$7.2 million 2004 Tax Allocation Housing Bonds, which were issued for the purpose of providing a grant to a non-profit developer for construction of a senior affordable housing facility. The Agency made principal payments totaling \$4.5 million. The Agency's outstanding debt is currently rated AAA by Moody's Investors Service and by Standard & Poor's Rating Services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary economic factor affecting the Redevelopment Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The Agency (and City) has been fortunate 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 2006, bringing the budgeted total to \$14.4 million.

Redevelopment Agency of the City of Santa Barbara Management's Discussion and Analysis For the Fiscal Year Ended June 30, 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 2005, the State shifted approximately \$1.3 million from the Agency. The ERAF shift for the next fiscal year will be an additional \$1.3 million.

REQUESTS FOR INFORMATION

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

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, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 24,303,959
Accrued interest receivable	1,058,881
Due from other agencies	100,639
Due from City General Fund	192,909
Loans receivable	30,084,253
Properties held for resale	433,952
Deferred charge -issuance costs, net	2,010,597
Deferred charge - discount, net	453,223
Restricted assets:	
Cash and investments with fiscal agents	56,372,457
Capital assets (net of accumulated depreciation):	
Land	38,871,689
Buildings	313,023
Improvements other than buildings	11,533,762
Equipment	189,854
Construction in progress	13,889,655
Infrastructure	2,268,285
Total assets	<u>182,077,138</u>
LIABILITIES	
Accounts payable	1,781,642
Accrued interest payable	992,160
Deposits	226,608
Unamortized debt premium	1,229,359
Bonds payable:	
Due within one year	5,190,000
Due in more than one year	80,210,000
Total liabilities	<u>89,629,769</u>
NET ASSETS	
Invested in capital assets, net of related debt	45,688,082
Restricted for:	
Capital projects	7,046,227
Low and moderate income programs	38,253,162
Unrestricted	1,459,898
Total net assets	<u>\$ 92,447,369</u>

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues	Net Revenue (Expense) and Changes in Net Assets
Governmental activities:			
General government	\$ 4,390,094	\$ -	\$ (4,390,094)
Housing	672,611	-	(672,611)
Redevelopment capital	135,532	-	(135,532)
Debt service:			
Interest	3,885,655	-	(3,885,655)
Total governmental activities	9,083,892	-	(9,083,892)
General revenues:			
Property taxes			13,857,766
Investment earnings			2,353,588
Other revenue			85,882
Total general revenues			16,297,236
Change in net assets			7,213,344
Net assets, beginning of year			85,234,025
Net assets, end of year			\$ 92,447,369

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Balance Sheet
Governmental Funds
June 30, 2005

	General	Special Revenue	Capital Projects	Debt Service Funds		Total Governmental Funds
				1993 Tax Allocation Bonds	1995 Refunding Tax Allocation Bonds	
Assets						
Cash and investments	\$ 2,817,994	\$ 8,504,901	\$ 12,981,064	\$ -	\$ -	\$ 24,303,959
Accrued interest receivable	52,739	59,123	947,019	-	-	1,058,881
Due from other agencies	-	-	100,639	-	-	100,639
Due from City General Fund	192,909	-	-	-	-	192,909
Loans receivable	3,545	30,080,708	-	-	-	30,084,253
Properties held for resale	433,952	-	-	-	-	433,952
Restricted assets:						
Cash and investments with fiscal agent	-	584,623	55,097,518	-	690,316	56,372,457
Total assets	<u>\$ 3,501,139</u>	<u>\$ 39,229,355</u>	<u>\$ 69,126,240</u>	<u>\$ -</u>	<u>\$ 690,316</u>	<u>\$ 112,547,050</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 9,732	\$ 111,788	\$ 1,660,122	\$ -	\$ -	\$ 1,781,642
Deposits	166,108	60,500	-	-	-	226,608
Deferred revenue	192,909	-	-	-	-	192,909
Loans payable	-	750,000	-	-	-	750,000
Total liabilities	<u>368,749</u>	<u>922,288</u>	<u>1,660,122</u>	<u>-</u>	<u>-</u>	<u>2,951,159</u>
Fund Balances:						
Reserved for:						
Encumbrances	577,636	53,905	13,154,575	-	-	13,786,116
Non-current assets	433,952	30,080,708	100,639	-	-	30,615,299
Debt service	-	-	-	-	690,316	690,316
Redevelopment activities	2,120,802	-	54,210,904	-	-	56,331,706
Low and moderate income housing	-	8,172,454	-	-	-	8,172,454
Total fund balances	<u>3,132,390</u>	<u>38,307,067</u>	<u>67,466,118</u>	<u>-</u>	<u>690,316</u>	<u>109,595,891</u>
Total liabilities and fund balances	<u>\$ 3,501,139</u>	<u>\$ 39,229,355</u>	<u>\$ 69,126,240</u>	<u>\$ -</u>	<u>\$ 690,316</u>	<u>\$ 112,547,050</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, 2005**

Total governmental fund balances (page 14)	\$ 109,595,891
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.	67,066,268
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.	284,985
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.	(19,084)
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(84,650,000)
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.	(992,160)
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.	860,652
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.	107,908
Certain special assessment revenues are earned but unavailable to pay for current period expenditures, and, therefore, are deferred in the funds.	192,909
Net assets of governmental activities (page 12)	\$ 92,447,369

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, 2005

	General	Special Revenue	Capital Projects	Debt Service Funds		Total Governmental Funds
				1993 Tax Allocation Bonds	1995 Refunding Tax Allocation Bonds	
Revenues:						
Incremental property taxes	\$ 11,156,888	\$ 2,789,222	\$ -	\$ -	\$ -	\$ 13,946,110
Use of money and property	347,538	444,525	1,551,535	2	9,988	2,353,588
Original issue premium	-	-	33,957	-	-	33,957
Other revenues	85,000	882	-	-	-	85,882
Total revenues	11,589,426	3,234,629	1,585,492	2	9,988	16,419,537
Expenditures:						
Current:						
Supplies and services	1,318,513	501,452	-	-	-	1,819,965
Projects	1,825,287	166,924	11,213,400	-	-	13,205,611
Other expenditures	15,461	4,235	-	-	-	19,696
Debt service:						
Principal	-	-	2,085,000	-	2,450,000	4,535,000
Interest	-	91,554	3,039,684	-	660,300	3,791,538
Bond issuance costs	-	-	305,117	-	-	305,117
Total expenditures	3,159,261	764,165	16,643,201	-	3,110,300	23,676,927
Excess (deficiency) of revenues over (under) expenditures	8,430,165	2,470,464	(15,057,709)	2	(3,100,312)	(7,257,390)
Other financing sources (uses):						
Proceeds from bond issuance	-	-	7,150,000	-	-	7,150,000
Transfers in	-	-	5,910,469	-	3,104,534	9,015,003
Transfers out	(9,013,343)	(684)	-	(976)	-	(9,015,003)
Total other financing sources (uses)	(9,013,343)	(684)	13,060,469	(976)	3,104,534	7,150,000
Net change in fund balances	(583,178)	2,469,780	(1,997,240)	(974)	4,222	(107,390)
Fund balances, beginning of fiscal year	3,715,568	35,837,287	69,463,358	974	686,094	109,703,281
Fund balances, end of fiscal year	\$ 3,132,390	\$ 38,307,067	\$ 67,466,118	\$ -	\$ 690,316	\$109,595,891

See accompanying notes to basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 16)		\$ (107,390)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for general capital assets, infrastructure, and other related capital	11,077,867	
Less current year depreciation	<u>(1,230,832)</u>	9,847,035
<p>Deferred charges on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.</p>		
		(19,084)
<p>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.</p>		
		(88,344)
<p>Repayment and refunding of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		4,535,000
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		263,290
<p>Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are accrued and reported in the period when the liability exists in the statement of activities.</p>		
		(67,163)
<p>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.</p>		
		(7,150,000)
Net change in net assets of governmental activities (page 13)		<u><u>\$ 7,213,344</u></u>

See accompanying notes to basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

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, 2005

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, 2005

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, 2005, 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. 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.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

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

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

L. Implementation of New Accounting Policies

During the fiscal year ended June 30, 2005, the Agency adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures, which amends existing accounting guidance under GASB No. 3, Deposits with Financial Institutions, Investments (including repurchase agreements), and reverse repurchase agreements. GASB Statement No. 40 enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB No. 3 and addressing other common risks, including concentrations of credit risk, interest rate risk, and foreign currency risk. Note 2 shows the disclosures as required by GASB Statement No. 40

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$24,303,959
Cash and investments with fiscal agents	<u>56,372,457</u>
Total cash and investments	<u>\$80,676,416</u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 75
Deposits with financial institutions	9,337,670
Investments	<u>71,338,671</u>
Total cash and investments	<u>\$80,676,416</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	20%	None

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	3%
US Government Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	\$40 million	N/A

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

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the Agency's investments, as shown below, are not affected by changes in interest rates.

<u>Investment Type</u>	<u>Weighted Avg. Maturity (in years)</u>
State Local Agency Investment Fund (LAIF)	N/A
Held by bond trustee:	
Money market funds	1,275,112
Investment contracts	<u>55,097,345</u>
Total	<u>\$71,338,671</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Unrated</u>
LAIF	\$14,996,214	N/A	-	14,996,214
Held by fiscal agents:				
Money market funds	1,275,112	A	1,275,112	-
Investment contracts	<u>55,097,345</u>	N/A	<u>-</u>	<u>55,097,345</u>
Total	<u>\$71,338,671</u>		<u>1,275,112</u>	<u>70,093,559</u>

Concentration of Credit Risk

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

Custodial Credit Risk

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: None of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2005, no Agency investments were held by the safekeeping department of the broker-dealer (counterparty) used by the Agency to buy the securities.

Investment in Local Agency Investment Fund

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Disclosures by Reporting Unit

None.

NOTE 3. PROPERTIES HELD FOR RESALE

A summary of changes in properties held for resale follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Properties held for resale	\$ 433,952	-	-	\$ 433,952

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 38,871,689	\$ -	\$ -	\$ 38,871,689
Construction in progress	3,656,616	10,742,896	509,857	13,889,655
Total capital assets, not being depreciated	<u>42,528,305</u>	<u>10,742,896</u>	<u>509,857</u>	<u>52,761,344</u>
Capital assets being depreciated:				
Buildings	357,741	-	-	357,741
Improvements other than buildings	24,980,792	-	-	24,980,792
Equipment	-	196,401	-	196,401
Infrastructure	1,924,786	648,427	-	2,573,213
Total capital assets being depreciated	<u>27,263,319</u>	<u>844,828</u>	<u>-</u>	<u>28,108,147</u>
Less accumulated depreciation for:				
Buildings	(35,774)	(8,944)	-	(44,718)
Improvements other than buildings	(12,344,138)	(1,102,892)	-	(13,447,030)
Equipment	-	(6,547)	-	(6,547)
Infrastructure	(192,479)	(112,449)	-	(304,928)
Total accumulated depreciation	<u>(12,572,391)</u>	<u>(1,230,832)</u>	<u>-</u>	<u>(13,803,223)</u>
Total capital assets, being depreciated, net	<u>14,690,928</u>	<u>(386,004)</u>	<u>-</u>	<u>14,304,924</u>
Governmental activities capital assets, net	<u>\$ 57,219,233</u>	<u>\$10,356,892</u>	<u>\$ 509,857</u>	<u>\$ 67,066,268</u>

Depreciation expense of \$1,230,832 was charged to the General Governmental Function of the Agency.

The Agency has active construction projects as of June 30, 2005. The projects include design, engineering and construction of a public parking structure, improvements and replacement of sidewalks, and construction of public restrooms. At year-end the Agency's commitments with contractors were as follows:

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

<u>Project</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Plaza Vera Cruz	\$ 17,213	\$ -
State Street Sidewalks	25,587	90,013
State Street Public Restrooms	27,618	54,096
Parking Lot 6- Construction	<u>13,819,237</u>	<u>11,985,437</u>
Total	<u>\$13,889,655</u>	<u>\$ 12,129,546</u>

NOTE 5. DUE FROM CITY GENERAL FUND AND TRANSFERS

As of June 30, 2005, 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 \$192,909 is offset by corresponding deferred revenue as the funds will not be received within 60 days.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>		<u>Total</u>
	<u>Agency Capital Projects</u>	<u>Agency 1995 Tax Allocation Bond</u>	
Agency General Fund	\$ 5,910,469	\$ 3,102,874	\$ 9,013,343
Special Revenue Fund	-	684	684
1993 Tax Allocation Bonds	-	976	976
Agency General Fund	<u>\$ 5,910,469</u>	<u>\$ 3,104,534</u>	<u>\$ 9,015,003</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 \$192,909 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.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

NOTE 6. LONG-TERM DEBT

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

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

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding Balance June 30, 2005
Tax allocation bonds:					
1995 Senior Series A	3.65 - 6.00%	12/01/95	03/01/08	28,170,000	7,235,000
1995 Subordinate Series B	4.375 - 6.35%	12/01/95	03/01/07	6,845,000	1,320,000
2001 Series A	4.125 - 5.00%	07/25/01	03/01/19	38,855,000	38,305,000
2003 Series A	4.000 - 5.00%	12/18/03	03/01/19	34,810,000	30,640,000
2004 Series A	2.000 - 5.00%	07/01/04	07/01/19	7,150,000	7,150,000
CHFA Loan	3.00%	10/19/99	10/19/09	750,000	750,000
Total				<u>\$ 116,580,000</u>	<u>\$ 85,400,000</u>

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Balance 07/01/04	Additions	Retirements	Balance 06/30/05	Due Within One Year	Due in More Than One Year
Tax allocation bonds:						
1995 Senior Series A	\$ 9,080,000	\$ -	\$ 1,845,000	\$ 7,235,000	\$ 1,935,000	\$ 5,300,000
1995 Subordinate Series B	1,925,000	-	605,000	1,320,000	640,000	680,000
2001 Series A	38,305,000	-	-	38,305,000	-	38,305,000
2003 Series A	32,725,000	-	2,085,000	30,640,000	2,145,000	28,495,000
2004 Series A	-	7,150,000	-	7,150,000	470,000	6,680,000
CHFA Loan	750,000	-	-	750,000	-	750,000
Total	<u>\$ 82,785,000</u>	<u>\$ 7,150,000</u>	<u>\$ 4,535,000</u>	<u>\$ 85,400,000</u>	<u>\$ 5,190,000</u>	<u>\$ 80,210,000</u>

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

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

Fiscal Year Ending	Principal Payments						Total
	1995 Senior Series A	1995 Subordinate Series B	2001 Tax Allocation	2003 Tax Allocation	2004 Tax Allocation	CHFA Loan	
2006	1,935,000	640,000	-	2,145,000	470,000	-	5,190,000
2007	2,035,000	680,000	-	2,205,000	430,000	-	5,350,000
2008	3,265,000	-	-	1,140,000	440,000	-	4,845,000
2009	-	-	2,785,000	1,860,000	455,000	-	5,100,000
2010	-	-	2,895,000	1,920,000	470,000	750,000	6,035,000
2011 - 2015	-	-	16,450,000	10,795,000	2,535,000	-	29,780,000
2016 - 2019	-	-	16,175,000	10,575,000	2,350,000	-	29,100,000
Principal payments outstanding	7,235,000	1,320,000	38,305,000	30,640,000	7,150,000	750,000	85,400,000

Fiscal Year Ending	Interest Payments					Total	
2006	434,100	79,200	1,764,854	1,233,130	221,625	3,732,909	
2007	318,000	40,800	1,764,854	119,230	208,125	2,451,009	
2008	195,900	-	1,764,854	1,146,130	195,075	3,301,959	
2009	-	-	1,764,854	1,106,230	181,650	3,052,734	
2010	-	-	1,649,973	1,050,430	168,950	3,089,723	
2011 - 2015	-	-	6,297,254	4,025,025	633,200	10,955,479	
2016 - 2019	-	-	2,054,850	1,248,420	176,983	3,480,253	
Interest payments outstanding	948,000	120,000	17,061,493	9,928,595	1,785,608	30,064,066	
Net Debt Service Obligation	\$ 8,183,000	\$ 1,440,000	\$ 55,366,493	\$ 40,568,595	\$ 8,935,608	\$ 970,370	\$ 115,464,066

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 \$30,084,253 at June 30, 2005, consist of loans provided to low- and moderate-income households, and developers of low- and moderate-income housing, with interest ranging from 3% to 8% and maturities up to 20 years.

NOTE 8. LITIGATION

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2005

NOTE 9. 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, 2005, the Refunding Certificates of Participation have an outstanding balance of \$17,700,000.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2005

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (GAAP)**
For the Fiscal Year Ended June 30, 2005

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		
REVENUES				
Property taxes	\$ 11,000,000	\$ 11,000,000	\$ 11,156,888	\$ 156,888
Use of money and property	199,000	199,000	347,538	148,538
Other revenue	-	-	85,000	85,000
Total revenues	<u>11,199,000</u>	<u>11,199,000</u>	<u>11,589,426</u>	<u>390,426</u>
EXPENDITURES				
Current:				
Supplies and services	1,333,869	1,359,526	1,318,513	41,013
Projects	1,544,631	2,379,844	1,825,287	554,557
Other expenditures	76,732	76,741	15,461	61,280
Total expenditures	<u>2,955,232</u>	<u>3,816,111</u>	<u>3,159,261</u>	<u>656,850</u>
Excess of revenues over expenditures	<u>8,243,768</u>	<u>7,382,889</u>	<u>8,430,165</u>	<u>1,047,276</u>
Other Financing Sources (Uses)				
Operating transfers out	(8,302,268)	(9,087,113)	(9,013,343)	73,770
Total other financing sources (uses)	<u>(8,302,268)</u>	<u>(9,087,113)</u>	<u>(9,013,343)</u>	<u>73,770</u>
Net change in fund balances	(58,500)	(1,704,224)	(583,178)	1,121,046
Fund balances, beginning of fiscal year	<u>3,715,568</u>	<u>3,715,568</u>	<u>3,715,568</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 3,657,068</u>	<u>\$ 2,011,344</u>	<u>\$ 3,132,390</u>	<u>\$ 1,121,046</u>

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2005

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (GAAP)**
For the Fiscal Year Ended June 30, 2005

	Special Revenue Housing Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		
REVENUES				
Property taxes	\$ 2,750,000	\$ 2,750,000	\$ 2,789,222	\$ 39,222
Use of money and property	550,000	550,000	444,525	(105,475)
Other Revenue	-	-	882	882
Total revenues	3,300,000	3,300,000	3,234,629	(65,371)
EXPENDITURES				
Current:				
Supplies and services	595,449	669,040	501,452	167,588
Projects	2,638,551	6,644,058	166,924	6,477,134
Other expenditures	65,316	65,316	4,235	61,081
Debt Service:				
Principal	-	-	91,554	(91,554)
Total Expenditures	3,299,316	7,378,414	764,165	6,614,249
Excess of revenues over expenditures	684	(4,078,414)	2,470,464	(6,679,620)
Other Financing Sources (Uses)				
Operating transfers out	(684)	(684)	(684)	-
Total other financing sources (uses)	(684)	(684)	(684)	-
Net change in fund balances	-	(4,079,098)	2,469,780	6,548,878
Fund balances, beginning of fiscal year	35,837,287	35,837,287	35,837,287	-
Fund balances, end of fiscal year	\$ 35,837,287	\$ 31,758,189	\$ 38,307,067	\$ 6,548,878

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2005

Notes to the Required Supplementary Information

BUDGETARY INFORMATION

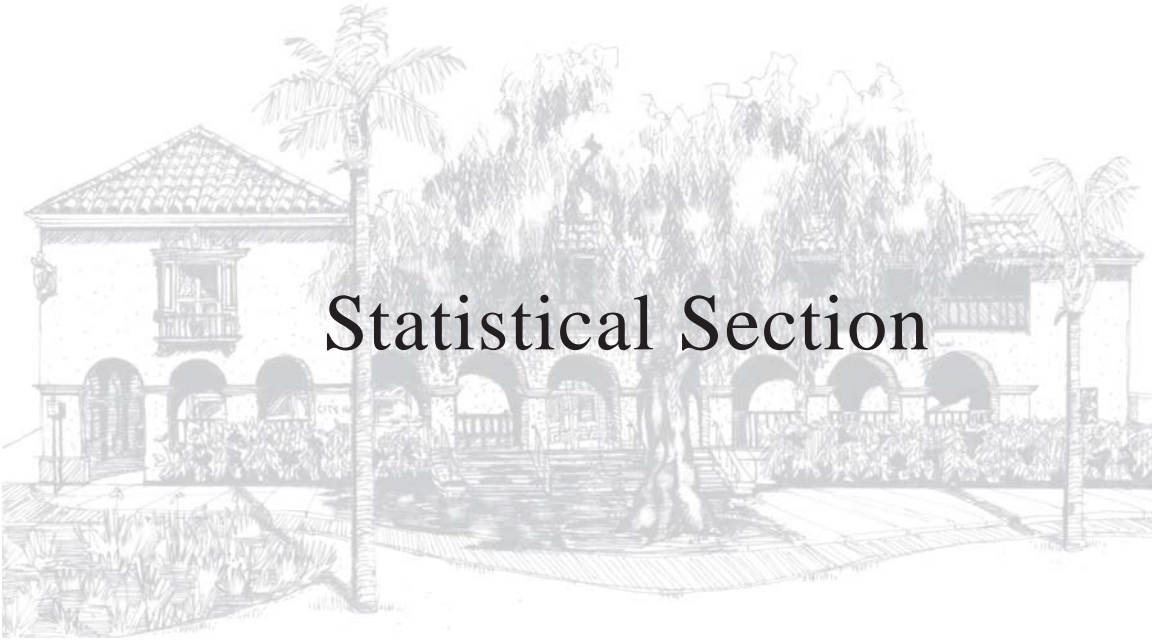
The Agency follows these procedures in establishing the budgetary data reflected in the basic financial statements:

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

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Housing Fund. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they represent financial obligations for goods and services received through June 30, 2005, but not yet paid.

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



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>
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
2005	1,817,013	13,205,611	4,535,000	3,791,538	324,813	23,673,975

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>
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
2005	13,946,110	2,353,588	119,839	16,419,537

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>
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
2005	1.00000	-	0.02086	-	1.02086

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
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
		<u>96,895,229</u>	<u>1,159,048,840</u>	<u>1,062,153,611</u>		<u>10,883,694</u>
2005	CCRP	96,895,229	1,238,766,411	1,141,871,182	1.02086	11,419,943

Unsecured

Base year	Assessed value	Increment assessed value	Tax rate	Tax levy	Total Tax Levy
\$ 29,620,144	\$ 140,093,386	\$ 110,473,242	1.00761	\$ 1,105,859	\$ 7,457,547
-	-	-		-	243,581
29,620,144	140,093,386	110,473,242		1,105,859	7,701,128
29,620,144	141,643,067	112,022,923	1.01223	1,128,754	7,544,490
-	-	-		-	240,153
29,620,144	141,643,067	112,022,923		1,128,754	7,784,643
29,620,144	157,264,725	127,644,581	1.01106	1,277,774	7,769,031
-	-	-		-	245,928
29,620,144	157,264,725	127,644,581		1,277,774	8,014,959
29,620,144	171,154,453	141,534,309	1.02221	1,416,617	8,840,095
-	-	-		-	244,642
29,620,144	171,154,453	141,534,309		1,416,617	9,084,737
29,620,144	172,343,113	142,722,969	1.01919	1,427,229	9,269,368
-	-	-		-	249,239
29,620,144	172,343,113	142,722,969		1,427,229	9,518,607
29,620,144	203,618,295	173,998,151	1.02724	1,739,980	10,622,484
-	-	-		-	257,735
29,620,144	203,618,295	173,998,151		1,739,980	10,880,219
29,620,144	216,818,104	187,197,960	1.02799	1,871,979	11,431,856
-	-	-		-	282,199
29,620,144	216,818,104	187,197,960		1,871,979	11,714,055
29,620,144	228,957,836	199,337,692	1.02707	1,993,377	12,227,578
-	-	-		-	301,149
29,620,144	228,957,836	199,337,692		1,993,377	12,528,727
29,620,144	232,693,845	203,073,701	1.02530	2,030,737	12,653,485
-	-	-		-	260,946
29,620,144	232,693,845	203,073,701		2,030,737	12,914,431
29,620,144	234,194,646	204,574,502	1.02086	2,045,745	13,465,688

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	
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	4,949	1,563,298,000	5,141,084,000	30.4
2004	2,953	169,125,006	4,432,325,000	4,914	1,618,326,000	5,401,307,000	30.0

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, 2005
(Unaudited)

<u>Name</u>	<u>Activity</u>	<u>Number employed</u>
University of California, Santa Barbara	Education	9,626
County of Santa Barbara	Government	4,088
Santa Barbara Cottage Hospital	Health Care	2,529
Santa Barbara City Community College	Education	2,211
Raytheon/ E-Systems	Manufacturer	1,950
Santa Barbara High School District	Education	1,810
Sansum-Santa Barbara Medical Foundation Clinic	Health Care	1,170
City of Santa Barbara	Government	1,063
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

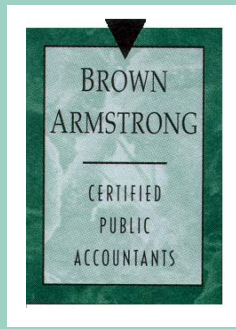
REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fidelity Bonds of Principal Officials
Year ended June 30, 2005
(Unaudited)

<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



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Chris M. Thornburgh, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE (INCLUDING THE
PROVISIONS CONTAINED IN THE GUIDELINES FOR COMPLIANCE AUDITS OF
REDEVELOPMENT AGENCIES) AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

Eric H. Xin, CPA, MBA
Lynn R. Krausse, CPA, MST
Bradley M. Hankins, CPA
Rosalva Flores, CPA
Connie M. Perez, CPA
Sharon Jones, CPA, MST
Diana Branthoover, CPA
Matthew Gilligan, CPA
Dominic Brown, CPA
Ryan Johnson, CPA

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

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Santa Barbara, California (the "Agency"), a component unit of the City of Santa Barbara as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *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 Controller of the State of California "Guidelines for Compliance Audits of California Redevelopment Agencies."

Compliance

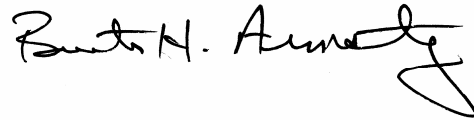
As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the 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 weaknesses.

This report is intended solely for the information and use of the Agency's Board of Directors, 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, stylized flourish at the end.

Bakersfield, California
September 9, 2005



Annual Program Report/ Work Program

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2005
(NOT COVERED IN AUDITOR’S REPORT)

INTRODUCTION

This report, covering Fiscal Year ending June 30, 2005, 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 2005.

CENTRAL CITY REDEVELOPMENT PROJECT AREA

914 State Street Public Restrooms (2001A Bond)

In June 2004, the Agency Board directed City staff to: proceed with a modified 914 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. In November 2004, the City hired Poirer and David Architects to redesign the 914 State Street restroom with a more cost-efficient design. The cost is estimate of \$460,000 is more than \$300,000 less than the original design. The project is expected to go out to bid in February 2006. City staff working with the Downtown Organization has recruited three more downtown businesses in the 700, 1000 and 1100 blocks of State Street to join the Visitor Restroom Program. A Visitor Restroom Agreement has been drafted which would increase the monthly compensation to cover all the costs involved. A comprehensive downtown map showing all the City-owned public restrooms has been provided to both the Santa Barbara Regional Chamber of Commerce and the Downtown Organization. Both organizations have incorporated information from the map in their publications: “Welcome to Santa Barbara” (Chamber of Commerce) and “Downtown – Santa Barbara’s Historic Arts District. Poirer and David Architects also provided a cost estimate to remodel the single unisex restroom in Parking Structure #10 into two separate ADA compliant men and women’s restrooms which the Council found not practical.

Granada Garage (2001A 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 572 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. McCarthy Construction was awarded the Granada Garage construction contract for \$19,833,000 in August 2004. Construction began in September 2005 and the completion date is on schedule for November 2005.

State Street Sidewalks Phase IV – 400 & 500 Blocks (2003A Bond)

Phases I through III of the State Street Sidewalk Improvement Project have brought significant streetscape improvements to the 600 through the 1200 blocks of State Street. In each phase, The Agency Board appropriated fund for the “Basic Project,” which included replacement of the existing sidewalks with colored and patterned concrete, along with other enhancements that would improve pedestrian access and safety, diversify landscaping, and increase storefront visibility. In each phase, property owners expressed their preference for a more expensive brick sidewalk design, enhanced pedestrian amenities, and the addition of a Holiday Lighting system. Property owners in each phase have voted for a benefit assessment district to pay for the upgrade. The Agency has allocated \$2 million for the design and construction of Phase IV of the State Street Sidewalks Improvement Project which includes the 400 and 500 block of State Street between Gutierrez and Cota Streets. In April 2005, the City began the Benefit Assessment District process for Phase IV. In June 2005, at a public hearing, the Council adopted a Final Resolution to form the District. Later in June 2005, the Council awarded a preliminary design contract to Penfield and Smith. Preliminary Design approvals should be complete by August 2005 and the Final Design contract awarded before in late September 2005. Construction is expected to begin in February 2006 and be completed before Memorial Day 2006.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2005
(NOT COVERED IN AUDITOR’S REPORT)

State Street Sidewalks Phase I Modifications (2003A Bond)

The Agency will be 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 \$225,000 for the modification. At this time, the modifications are scheduled to be included in the Phase IV contract.

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 corridor improvements. The firm of Conceptual Motion was selected in April 2005 to provide design services. The scope of work will include landscape architecture that will create a consistent theme in a walkable corridor between the Westside and downtown. The top priorities of the project include pedestrian street lighting, sidewalk improvements and landscaping. The Agency has allocated \$3.5 million from its Series 2003A bond proceeds for this program.

Chapala Street Streetscape Improvements (2001A Bond)

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. Agency staff, in collaboration with the Planning Division and Transportation Division of Public Works initiated a design process involving local developers, merchants, and other stakeholders to identify what elements along Chapala Street should be preserved and what needed improvement. Pedestrian amenities, landscape elements, and a cohesive streetscape theme were identified as lacking. Conceptual Motion Company led the design process. The product of the process was the Chapala Street Streetscape Design. The Agency is pursuing improving two intersections with bulbouts and shorter crosswalks on the Chapala Street corridor, Gutierrez and De La Guerra, as private developments are being constructed adjacent to these intersections. In June 2005, the design firm of Penfield and Smith was awarded the design contract for these improvements. The private developments are following the Guidelines which require these developments to include streetscape improvements along their frontages. The Agency has allocated funding of \$835,000 for the public right-of-way improvements.

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 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-defined entrance and reception area leading from the parking lot. On January 27, 2005, the Agency Board increased funding to \$798,000. The construction bidding process was originally scheduled for June 2005 but was delayed to August 2005 and with a construction estimate close to \$560,000. Construction is due to begin by the end of 2005.

Plaza Vera Cruz Park (2001A Bond)

Funds have been appropriated for improvements to an existing downtown park located between Haley and Cota Streets. The project will include a drinking fountain, benches, lighting upgrades, drainage improvements, vehicle and handicap accessibility improvements and various landscaping improvements. These improvements will be accomplished using the \$340,000 budgeted by the Redevelopment Agency. New playground equipment has already been installed near Haley Street. Arcadia Studios is supplying the design services for this project.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2005
(NOT COVERED IN AUDITOR’S REPORT)

CULTURAL ACTIVITIES

Plaza De La Guerra Master Plan (2003A Bond)

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. Beginning in December 2000, the focus of Phase II was to gather input and identify issues about future improvement and use of the Plaza by holding professionally facilitated stakeholder meetings. This 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 Group began the process 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. A subcommittee of Commission members, business owners and City staff met in the Spring and is drafting a design services scope of work for infrastructure improvements under consideration including installation of new ADA ramps; replacement or upgrade benches; trash/recycling receptacles; bike racks; newspaper cabinets; and redesign of the roadway and interior lawn to improve safety of pedestrians during large community events.

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 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 on their plans for the El Presidio Visitor Center and City building division approval at the end of FY 2005. The construction bidding process will start in early FY 2006 and construction is anticipated to begin October 2005. Meanwhile, the California Conservation Corps has made over 5,000 bricks for the project. To date, the Trust has been reimbursed \$119,000 by the Agency.

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

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2005
(NOT COVERED IN AUDITOR’S REPORT)

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 and a report has been printed. The final room, “Room One,” is being finished this fiscal year. The walls of “Room One” have been plastered and will be hung with historically accurate, specially printed wallpaper.

Downtown Organization Cultural Promotions (Capital Fund)

The Downtown Organization received 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 2005. 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 2005.

WATERFRONT AREA

Santa Barbara Maritime Museum (Capital Fund)

The Agency funded a matching grant of \$500,000 to the Santa Barbara Maritime Museum for the design, construction, and implementation of four interactive educational exhibits at the Maritime Museum (Survival at Sea, Navigation and Piloting, Surfing, and Channel Islands). The Santa Barbara Maritime Museum was able to verify matching funds in December 2003. Progress has been made on the exhibits and to date, the museum has contracted with a firm for the fabrication of the Survival at Sea exhibit which includes nine exhibits in all, and the Surfing and Channel Islands exhibits are in the design stage. The Survival at Sea is anticipated to be open to the public November 2005.

East Cabrillo Boulevard Sidewalk Replacement (2001A Bond)

This Agency project will repair and replace existing sidewalk from Stearns Wharf to Milpas Street. Cabrillo Boulevard, considered one of the City’s more scenic routes, is the primary thoroughfare along the City’s beachfront east of State Street and is flanked by tourism-related businesses, hotels and recreational public parks. On weekends, the sidewalk is heavily used by visitors to the Sunday Arts and Crafts show. An Historic Resources Report was prepared at the request of the City’s Historic Landmarks Commission as there is a Preservation Covenant stemming from the transfer of ownership in 1996 from California Department of Transportation stating that the City cannot alter the historic fabric of this district without the State Office of Historic Preservation’s approval. The State’s preliminary response is anticipated. Differing viewpoints have surfaced: the Historic Landmarks Commission favors preservation of the sidewalk parkways with the installation of maintained landscaping but the Parks and Recreation Commission and Parks Department doesn’t want to lose the parking or have to maintain a landscaped parkway. A design contract is expected to be awarded in the first part of the new fiscal year. The Agency has allocated \$3.1 million for the project.

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 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 use of railroad right-of-way properties surrounding the building.

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. Caltrans has agreed to reimburse the Agency for the cost of acquiring and placing a rail car at the Historic Rail Spur. Caltrans will reimburse the Agency up to a total of \$350,000. We are going to Historic Landmarks

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2005
(NOT COVERED IN AUDITOR’S REPORT)

Commission in the next fiscal year to discuss the historic car which will be a static display only. The Agency has allocated \$46,000 in matching funds towards the development of the Historic Railroad Spur.

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.

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. 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 shelter, a maintenance and operations center for the school district and recycling facility and various recreational and social service uses. Currently, a biological assessment study is being conducted. A total of \$1,500,000 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.

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. was 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 occurred in December 2003 and June 2004. Contaminant concentrations have decreased significantly to below regulatory action levels. The Agency reported the success to the RWQCB and asked for site closure on Parking Lot 12, which was denied. The RWQCB disagreed and instructed the Agency to perform more remediation. The Agency is currently reviewing its options for closure. The total cost of the remediation to date has been \$53,100.

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 approximately \$1,300,000 ERAF obligation for Fiscal Year 2005.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2005
(NOT COVERED IN AUDITOR’S REPORT)

AGENCY’S AFFORDABLE HOUSING PROGRAM

21 East Anapamu Street (Granada Garage Housing)

The Agency selected Peoples’ Self-Help Housing Corporation through a Request for Proposals process to develop affordable housing 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 grant, and Agency staff secured City HOME funds for the project in the form of a \$90,000 predevelopment loan and \$1,162,000 permanent loan. The 12-unit project is still in predevelopment and is expected to start upon completion of the Granada Garage in spring 2006.

4200 Calle Real (St. Vincent’s Gardens & Villa Caridad)

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 million. Funding also includes HUD Section 202 funds for the senior project (Villa Caridad), low income housing tax credits for the family project (St Vincent’s Gardens), and funds from the Daughters of Charity. The family project is now under construction. The senior project is still in predevelopment, with construction expected to start in fall 2005.

319 West Carrillo Street (El Carrillo)

The Housing Authority plans to build 61 small studio units (plus one 2-bedroom manager’s unit) for very low income downtown workers and the near homeless. The Agency loaned the City’s Housing Authority \$1,775,000 for acquisition of a half-acre site near their award-winning Casa de Las Fuentes “Downtown Worker” affordable rental housing project. The Agency also provided a \$300,000 predevelopment loan. The project was awarded nearly \$8 million in low income housing tax credits and has received \$1 million in below market rate construction loan funds from the newly established Housing Trust Fund. Construction is expected to start in fall 2005.

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

In fiscal year 2000, the Agency provided Transition House with a \$320,000 loan for the acquisition of 421-425 E. Cota Street which consists of two mixed-use buildings located to the rear of their homeless shelter on East Ortega Street. In addition, Transition House raised over \$1 million in private donations for this acquisition as part of major effort to relocate and expand its office and program space, expand its shelter space, and create new affordable housing for its clientele. The building at 425 East Cota has nine residential units over ground floor commercial space. Transition House placed their clients in the residential units as vacancies arose and moved its office and program space from the shelter into the ground floor commercial space. The building at 421 East Cota (it once housed the old Mom’s restaurant) has structural issues that limit development options. Transition House plans to demolish the structure and build new affordable housing over space dedicated to child care, but will not start this project until after the upcoming extensive reconstruction of the East Ortega Street Shelter is completed. In the meantime, Transition House seeks to lease out the former restaurant space in order to help cover costs. The new construction will be the final component of a large new campus offering comprehensive services to homeless families.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2005
(NOT COVERED IN AUDITOR’S REPORT)

617 Garden Street

The Mental Health Association in Santa Barbara County has obtained approval from the City’s Planning Commission for the development of a mixed-use project that includes administrative offices, program space, and 51 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 help cover predevelopment expenses. Construction is expected to start early 2006.

818 Garden Street (Leonora Cook Apartments)

Laguna Cottages for Seniors, a local nonprofit organization that provides low-income seniors with affordable housing, has completed construction of 11 new senior studio units adjacent to their existing 44-unit senior facility. The City and Agency provided \$807,000 in grants, and Laguna Cottages raised an additional \$1.4 million in private grants to develop the new units. In securing grants instead of loans, Laguna Cottages was able to avoid debt service expenses and thereby operate the project based on rent levels affordable to very low income seniors. Construction is now complete, and the units are fully occupied.

3965 Via Lucero

In fiscal year 2004, the City provided \$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. The project is currently under construction.

210 West Victoria Street (Victoria Cottages II)

Peoples’ Self- Help Housing Corporation just completed construction of six new apartments on a portion of a small bungalow cottage court site. The City and Agency provided financial assistance for the original acquisition and rehabilitation of the cottages, and Agency staff secured predevelopment loans from the City totaling \$111,000 for designing the new units and \$480,000 in federal HOME funds for permanent financing.

309 – 327 South Voluntario Street (Paseo Voluntario)

The Agency and City 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 immediately adjacent to one of their existing seven-unit housing projects. The 20 new units have been completed and are now fully occupied. The existing units are now being renovated and incorporated into the design of the new units resulting in one unified 27-unit affordable housing project. Renovation work is expected to be complete in fall 2005.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2006
(NOT COVERED IN AUDITOR’S REPORT)

INTRODUCTION

This report, covering the projected program year for the fiscal year ending June 30, 2006, 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 2006 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2006, including appropriations from prior year balances.

FISCAL YEAR 2006 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: \$149,537

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: \$39,924

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.

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

REDEVELOPMENT CAPITAL FUND PROJECTS

Opportunity Acquisition Fund: \$2,375,000

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

Mental Health Association of Santa Barbara County: \$2,300,000

Funds for a proposed fifty-one unit affordable housing project in a mixed-use development that includes the Mental Health Association of Santa Barbara County offices and program

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2006
(NOT COVERED IN AUDITOR’S REPORT)**

facilities. Half of the units would be for Mental Health clients, and half would be for low-income downtown workers.

Housing Fund Contingency Account: \$1,965,555

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

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

Funds for State Street Sidewalks Assessment District. 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.

SERIES 2001A TAX ALLOCATION BOND CAPITAL PROJECTS

Lot 6 Parking Structure - Design and Construction: \$19,100,000

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 scheduled to be completed by November 2005.

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.

Granada Theater: \$3,000,000

Funds requested by the Santa Barbara Center for Performing Arts in order to renovate the Granada Theater. Waiting for building codes issues to be resolved. Grant agreement has been prepared and awaits submittal to SBCPA.

Chapala Street Improvements: \$835,000

Various streetscape improvements to be made in conformance with Chapala Street Streetscape Design Guidelines. Bulbouts of the sidewalk to shorten the distance to cross and new crosswalks at two intersections, Gutierrez and De la Guerra Streets.

Louise Lowry Davis Center Remodel: \$798,000

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.

Downtown Public Restrooms – 914 State Street: \$586,000

Funds for the development of a downtown public restroom on State Street.

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2006
(NOT COVERED IN AUDITOR’S REPORT)**

Plaza Vera Cruz: \$340,000

Funds for renovating a downtown City park with vehicle and handicap accessibility improvements.

Cabrillo/State Streets Restroom Remodel: \$300,000

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

Thompson Avenue Improvements: \$200,000

Funds for improvements to be made in conjunction with improvements being made by Brooks Institute at the Lyons Building: sidewalk repair and replacement, landscaping, trash enclosure expansion, paseo improvements and general street improvements.

SERIES 2003A TAX ALLOCATION BONDS CAPITAL PROJECTS

Carrillo Recreation Center Restoration: \$3,500,000

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

West Downtown Improvements: \$3,500,000

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

Fire Station #1 Remodel: \$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.

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.

Mission Creek Flood Control Enhancement: \$2,500,000

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.

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2006
(NOT COVERED IN AUDITOR’S REPORT)**

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

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.

West Beach Pedestrian Improvements: \$2,000,000

Funds for sidewalk and landscape improvements from the Wharf to the Santa Barbara Harbor.

Carrillo/Chapala Urban Village: \$2,000,000

Funding towards a Downtown Urban Village in a prime gateway site, incorporating public and private parking, a mix of affordable and market-rate housing, a new MTD transit center, and various commercial uses.

Lot 6 Surplus Property Acquisition: \$1,878,000

Funds for possible acquisition of multiple parcels comprising Parking Lot 6 surplus lots, which are currently being leased by the City for additional parking.

Property Acquisition Fund: \$1,625,000

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

Waterfront Property Development: \$1,500,000

The funds are to be used to fund future development of the Agency-owned property at 125 Calle Cesar Chavez.

Plaza de la Guerra Infrastructure: \$340,000

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

Artist Workspace: \$1,000,000

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

Chase Palm Park Wisteria Arbor: \$835,000

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

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2006
(NOT COVERED IN AUDITOR’S REPORT)**

<i>Visitor Center Condominium Purchase:</i>	<i>\$500,000</i>
Funds for the purchase of Ritz-Carlton Club condominium space as part of conditions of approval. Visitor Center to be leased by the Chamber of Commerce and to include public restrooms.	
<i>Lower State Street Sidewalks:</i>	<i>\$250,000</i>
Funds for improvements to the 00 easterly block of State Street to compliment the Ritz-Carlton Club development sidewalk improvements.	
<i>State Street Sidewalks- Phase I – Modifications</i>	<i>\$225,000</i>
Funds for a number of items that were either not included because of budget constraints or not consistent with the subsequent phases: replacement of existing patterned concrete handicap ramps with ADA compliant ramps in brick, upgraded electrical system, and reinforcement of a number of planter edges with concrete base.	
<i>Spencer Adams Parking Lot and Site Improvements:</i>	<i>\$186,300</i>
Funds to assist the Parks Department with various parking lot and site improvements at the lawn bowling center adjacent to the Louise Lowry Davis Center.	
<i>Fig Tree Park Improvements:</i>	<i>\$186,300</i>
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.	
<i>Historic Railroad Car Acquisition:</i>	<i>\$46,000</i>
Funds for the acquisition of a vintage rail car for static display at the Railroad Depot adjacent to the Moreton Bay fig tree.	
<i>Signalman’s Building:</i>	<i>\$23,000</i>
Funds for to improve the old Signalman’s Building as a passive railroad museum.	
<i>Unappropriated – Reserved for Future Projects:</i>	<i>\$1,466,400</i>
Funds available for future projects and programs.	