



Agenda Item No. _____

File Code No. 330.03

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: March 19, 2013

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Purchase Of Real Property At The City's Hydroelectric Plant

RECOMMENDATION:

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Authorizing the City's Public Works Director to Act in the Negotiations on Behalf of the City of Santa Barbara For the Purchase of the Fee Simple Interest in the Real Property Known as the Santa Barbara Hydroelectric Power Plant Land at Lauro Dam and Verifying that Funds Have Been Budgeted for the Purchase at Fair Market Value as Determined by Appraisal.

DISCUSSION:

The City owns a hydroelectric plant located on federal land within the fenced enclosure around Lauro Reservoir, which is the raw water supply reservoir for the City's Cater Water Treatment Plant. The Hydroelectric Plant (Plant) receives water from the City's Gibraltar Dam that is conveyed to Santa Barbara via the City's Mission Tunnel. In 1985, the Plant began producing electrical power which was sold to Southern California Edison.

The Plant was mothballed in 1998, because the Plant's operation and maintenance costs, along with regulatory burdens, exceeded the income from power sales. In 2010, an engineering report determined that the key to recommissioning the Plant and reducing regulatory costs and burdens was for the City to acquire ownership of the land beneath the Plant. Council adopted Resolution No. 10-086 in November 2010 declaring the City's intent to acquire and accept title to the real property on which the hydroelectric plant was constructed.

The Cachuma Operation and Maintenance Board and the US Bureau of Reclamation declared that the land beneath the Plant was surplus to the needs of the Cachuma Project. As a result, on January 7, 2013, the U.S. General Services Administration (GSA) issued a notice that it had determined the land beneath the Plant "to be Government surplus and available for disposal." Subsequently, the GSA, in a letter to the City received on February 19, 2013, informed the City that purchase of the surplus

land would be through a "negotiated sale" process as set forth in federal law. If negotiations between the GSA and City are ultimately not successful, the property will be disposed of by public sale. The "negotiated sale" process requires the City to adopt a resolution verifying that: (i) a particular individual is authorized to act in the negotiations on behalf of the City of Santa Barbara, and (ii) funds exist for the purchase.

In addition to recommending Council adopt a resolution that complies with the GSA request, City staff intends to select a state licensed or certified appraiser and authorize an appraisal of the subject land in accordance with instructions contained in the GSA letter. City staff will return to Council with the results of the appraisal and request authority to make an "Offer to Purchase" to GSA.

SUSTAINABILITY IMPACT:

Recommissioning the Plant will result in the production of clean and renewable hydroelectric power. It has been estimated that initially the Plant will produce 2,099 megawatt hours (MWh) of power annually. Because of siltation at Gibraltar Dam, the amount of power generation will decline over time, and eventually will reach a steady annual production of 1,877 MWh, which is enough to meet the electrical demand of approximately 200 single family homes. It is intended that the power produced by the Plant will be sold to Southern California Edison at the "California Renewable Energy Small Tariff" rate.

PREPARED BY: Rebecca Bjork, Water Resources Manager/RR/mh

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator's Office