



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 2, 2013

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Purchase Of Real Property Occupied By Hydroelectric Plant

RECOMMENDATION: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Confirming the Negotiated Purchase Price for the Purchase of the Real Property Occupied by the City's Hydroelectric Plant Located at 1402 San Roque Road in the Amount of \$65,000, Authorizing Acquisition of the Real Property, and Approving the Funding for Such Acquisition; and
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara to Accept in Fee all Right, Title and Interest in the +/- .0997 Acres of Real Property Located at 1402 San Roque Road in the County of Santa Barbara, California, and to Authorize the Public Works Director to Execute Such Documents as Necessary for the Acquisition and Acceptance of Said Real Property Interest, and to Record Such Documents in the Official Records of the County of Santa Barbara.

DISCUSSION:

The City owns the hydroelectric plant at 1402 San Roque Road, which is located on a portion of the United States of America Bureau of Reclamation (Bureau) land within the fenced enclosure around Lauro Reservoir. The hydroelectric plant receives water from the City's Gibraltar Dam and Reservoir that is delivered 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 idled in 1998, when it was determined that 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 re-commissioning the hydroelectric plant and reducing regulatory costs and burdens was for the City to acquire the ownership of the land from the Bureau.

The Cachuma Operation and Maintenance Board and the US Bureau of Reclamation declared that the land beneath the hydroelectric 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 considered the land that is occupied by the hydroelectric plant "to be Government surplus and available for disposal".

Subsequently, the GSA informed the City that it could purchase the surplus land “by negotiated sale” process.

On March 19, 2013, the City Council authorized Christine F. Andersen, Public Works Director, to negotiate purchase of the land. A City appraisal of the land by a State Certified Appraiser determined the value to be \$60,000. The GSA appraisal of the land determined the value to be \$65,000. GSA staff stated that the land could not be sold for less than \$65,000 without congressional review, a process that could take up to six months to complete.

City staff believes that a purchase price of \$65,000 for the hydroelectric plant land is fair and equitable and will allow the timely transfer of the land to the City. Once the GSA receives a cashier’s or certified check in the amount of \$65,000, the City resolution confirming the negotiated purchase price of \$65,000, an executed “Offer to Purchase Real Property and Acceptance,” and a land use plan for the property describing the direct public use/benefit of the property, the GSA will provide the City with a Quitclaim Deed suitable for recordation.

The ownership and possession of the land by the City will enable the City to apply for an exemption to the Federal Energy Regulatory Commission License and sell hydroelectric power to Southern California Edison.

BUDGET/FINANCIAL INFORMATION:

There are sufficient appropriated funds in the Water Capital Fund to cover the purchase of the land beneath the hydroelectric plant. It is estimated that the hydroelectric plant revenue will be \$210,000 per year initially, and then decline to \$188,000 per year in future years as Gibraltar reservoir fills with silt. Revenue from the sale of power to Southern California Edison will be income to the City’s Water Fund.

SUSTAINABILITY IMPACT:

Recommissioning the City’s hydroelectric plant will result in the production of clean and renewable hydroelectric power. It has been estimated by Brown & Caldwell Engineers, Inc., that, initially, the hydroelectric plant can produce 1600 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 975 MWh, which is enough to meet the electrical demand of approximately 200 single-family homes. It is intended that the power produced by the hydroelectric plant 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