



CITY OF SANTA BARBARA FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: December 9, 2008

TO: Finance Committee

FROM: Housing and Redevelopment Division, Community Development Department

SUBJECT: Redevelopment Agency Fiscal Year 2009 Capital Program

RECOMMENDATIONS: That the Finance Committee:

- A. Consider Funding Allocations to the Redevelopment Agency Capital Program; and
- B. Recommend that the Agency Board reprogram \$3,125,000 from various project accounts to assist in funding current and future Redevelopment Agency capital projects.

EXECUTIVE SUMMARY:

In the FY 2009 Redevelopment Agency (Agency) budget process, the Agency Board deferred consideration of new capital projects and community grants. Surplus Agency revenues were not allocated to those activities. The Board wished to wait until there was more information about potential redirection of Agency funds by the State in response to the State budget crisis (Educational Revenue Augmentation Fund, or ERAF). The State has approved a redirection of \$1.4 million of the Agency's funds to date and may be considering additional shifts as it continues to grapple with budget imbalances. However, the general magnitude of the State shift is now known to the degree that the Board can reasonably consider proceeding with the Capital Projects and Community Grants process. A process that would typically entail a solicitation of capital projects requests from City departments and community grant requests from outside organizations. Because available funding is limited, and future unencumbered surplus Agency tax increment revenues are limited to six more years before expiration of the Central City Redevelopment Plan, staff is recommending that the Fiscal Year 2009 funding process be restricted to allocating existing funds to already approved capital projects that need more funds or to new capital projects that have been under consideration but have yet to be approved or funded. Staff recommends that no new community grants be considered at this time. This report and its attachments provide revenue balances, existing and potential projects and their funding needs, and staff funding recommendations.

DISCUSSION:

Available Funding: Redevelopment and Finance Department staffs have thoroughly evaluated all available Agency revenues at this point in time. Current funds available include recurring tax increment revenues, non-recurring revenues, and other sources of funds (account closures, etc).

Recurring Tax-Increment Revenues: In the FY 2009 Agency budget, \$4,610,800 was available from anticipated tax increment for the fiscal year after deducting the 20% housing set-aside, operating expenses, special expenses, and debt service. The current ERAF obligation is \$1,403,758, which reduces the surplus anticipated tax increment to approximately **\$3,207,042**. Note that additional ERAF shifts could occur in this fiscal year. The State Legislative Analyst's Office is recommending an additional (and permanent) ERAF shift from agencies of \$50 million, which would result in an increase for this agency of approximately \$200,000.

Non-Recurring Revenues: These revenues include funds that are varied in source and amounts on an annual basis. Non-recurring revenues can include interest earnings, funds remaining from completed projects that are returned to the fund balance, and increases in revenues over budget projections for current and prior fiscal years. Non-recurring revenues for Fiscal year 2009 include the Agency's General Fund (\$2,563,677, primarily from increases in tax increment revenue over budget projections from recent years), Capital Projects Fund (\$17,898 in fund balance), 2001 Bond Fund (\$484,498 in interest earnings and fund balance returns from completed projects) and 2003 Bond Fund (\$2,539,183 in interest earnings and fund balance returns from completed projects), and East Cabrillo Sidewalk Replacement Project fund balance (\$1,400,000) for a total estimated amount available for projects and programs of **\$7,005,256**.

Other Sources of Funds: Other possible sources of funding vary on an annual basis. Fiscal Year 2009 presents a number of possible sources of additional funding that could be returned to the Agency General Fund and used to assist in funding current and future Agency project and programs. The identified sources for Fiscal Year 2009 include: closure of Fiscal Year 2007 Agency grant with the Santa Barbara Channels; funds resulting from scope reduction in the Mission Creek Enhancement Project; and closure of the Agency Opportunity Acquisition account.

The Santa Barbara Channels grant was approved by the Agency Board in Fiscal Year 2007 (July 2006) in an effort to assist the Santa Barbara Channels (Channels) in finding a new home. Channels has searched tirelessly for a property to purchase or renovate, but has been unable to enter into a sales or long-term lease agreement on any property within the Central City Redevelopment Project Area. Agency staff has worked with Channels throughout the process, and Agency staff recommends that the Agency Board reprogram the proposed \$1,000,000 in grant funding to the Redevelopment Agency's fund balance.

The Agency Board originally appropriated \$2.5 million for enhancements to the Mission Creek Flood Control Project. Early in 2008, the Agency Board acquired two properties at the intersection of Bath and Ortega to facilitate the Mission Creek project and, eventually, develop into a park/open space. The total amount remaining in the account is approximately \$1,273,000. Staff recommends leaving \$750,000 in the account for the development of the park/open space concept and returning approximately \$500,000 to the Agency's 2003 Bond Account's fund balance and be used to assist in funding current and future Agency project and programs.

The closure of the Agency Opportunity Acquisition account would result in an additional \$1,625,000 in the Agency's 2003 Bond Account's fund balance. This account was originally created as a part of the 2003 Tax Allocation Bond Issuance, and no strategic property acquisition opportunities have emerged since that time.

If the Agency Board decides to re-allocate funds from these three projects, the total available would be **\$3,125,000**.

The resulting total of all funds available for re-allocation to capital projects would be an estimated **\$13,337,298**. A summary of these proposed funding sources can be found in Attachment A.

Current Capital Projects and Funding Needs: The Agency currently has 20 capital projects funded in its Capital Program in various stages of development. A list of the Agency capital projects can be found in Attachment B. Due to increases in construction costs since project inception, as well as refinements in scope, hazardous material remediation needs, etc, a number of projects will require additional funding in order to reach completion. Attachment B provides the current cost estimates for each project, gross estimates of additional funds where needed (Please note, actual costs to complete the projects will not be known until construction bids are received for each project), staff funding recommendations for all projects, and a column showing the declining balance of the \$13,337,298 in available funds if the staff funding recommendations were approved.

The following is a discussion of some of the more significant components of the analysis provided in Attachment B:

- **Police Department Locker Room:** The remodel project is represented at the full project level discussed at the Finance Committee meeting of November 18, 2008. The current estimate of cost is \$8,086,455, which would require an additional allocation of \$7,575,000. If the reduced project alternative also discussed that did not replace the HVAC system were to be selected, the estimated project cost would be \$3,700,000 and the additional allocation required would be \$3,200,000.
- **Plaza de la Guerra Infrastructure Project:** The project has been further evaluated at the direction of the Council Plaza de la Guerra Subcommittee, and the Subcommittee has requested that staff bring two conceptual alternatives to the Agency Board in late-January for consideration. Both alternatives would make basic infrastructural improvements (the "just-do-its") and would remove a small number of

parking spaces for safety and aesthetic considerations. One alternative would refinish the road surface and curbs and gutters at the existing elevation. The other alternative would raise the road surface to the level of the plaza's grass area. Both alternatives would cost approximately \$2,200,000.

- Community Arts Workshop: The project has been delayed by the discovery, through testing and regulatory clearance efforts, of significant additional hazardous materials. It is estimated that it will take one to two years to obtain clearance for the project site. Indoor air sampling tests will be conducted in the coming months as a precaution to confirm the existing buildings can continue to be safely occupied by Solstice (as they have in the past) for their preparation of the Solstice Parade 2009. Staff hopes to have the test results by early-February 2009 and hopes that Solstice can occupy the site in mid-April. The additional funds (\$735,750) needed for the project as identified in Attachment B have been identified for the Agency Board for some time and do not include hazardous materials clean-up. The Site is currently in the State of California Underground Storage Tank Fund Program and is eligible for reimbursements for remediation related activities. The expectation is that most, if not all, of the remediation costs can be retrieved through this program.
- Carrillo-Chapala Mixed Use Project: The project does not currently have an estimated cost, given the very large variables in the concept, and the as-yet undefined financial contributions by the potential participants. Staff and the Metropolitan Transit District staff are negotiating a Memorandum of Understanding for the joint project for consideration by the Agency and District boards. The agency's hope to solicit developer participation with a Request for Proposals to be issued in the spring. The \$1,882,000 identified in the "Current Project Estimate" column of Attachment B does not represent such an estimate, but is intended to remind the Board that \$1,000,000 in Agency Housing Funds and \$2,000,000 in Agency General Funds have been appropriated in past actions for this project. Funds from the Agency General Fund have been expended for design and feasibility services.

At the bottom of Attachment B two projects are listed that are not formal projects in the Agency's Capital Program. These projects are the Mission Creek Flood Control Project at the Train Depot and the Helena Street Parking Lot Improvement. These two projects are included because they have been under consideration for some time and have been largely perceived as important projects to undertake.

- Mission Creek Flood Control Project at the Train Depot: The project is intended to stimulate the larger and very important flood control project that has been in the planning stage for many years. Without the originally-anticipated Federal funding, progress has been difficult. Agency funds would be eligible for use to undertake the portion of the project that crosses the Agency-owned depot property. Costs for this span of the flood control project would be shared with the County and could be the impetus for making progress on the larger project. The Agency's share is estimated at between \$2.5 and \$3 million.

- Helena Avenue Parking Lot: The project is located at the Agency-owned parcel at 217 Helena Avenue. The Agency had previously agreed to construct the parking lot as part of the adjacent youth hostel project being developed by Fess Parker. The parking lot was funded in the RDA Capital Program. However, both the obligation to construct the parking lot and funding have subsequently been eliminated. Development, however, of a public parking lot at this location could provide much-needed parking spaces for the immediate area, including for the possible future development of the proposed Santa Barbara Children's Museum located less than one block away at 125 State Street. The site of the proposed Santa Barbara Children's Museum is constrained, and the development of the Helena site could likely alleviate some of the parking demand. Staff estimates the development of a parking lot on the Helena site to cost approximately \$500,000 for design, engineering, and construction.

Total estimated funding needed to complete the current slate of Agency capital projects and the two "new" projects (Mission Creek Flood Control Train Depot Project and Helena Avenue Parking Lot) is approximately \$13,850,000, in comparison to the \$13,337,298 available. In light of the shortfall, staff reviewed the timing of each of the projects and made recommendations based on where these projects were in the development process and when they might be moving forward to the construction process. Because a one to two year process is required for the additional environmental testing at the site of the proposed Community Arts Workshop at 631 Garden Street, staff is recommending that the additional funding as estimated for the Workshop be deferred to the Agency's FY 2011 budget.

It should also be noted that the RDA Capital program includes a Project Contingency Account, with a current balance of approximately \$1,518,900. These funds were not included in the "Available Funding" calculation above. Staff recommends that these funds be kept aside as a source for funding unexpected costs of existing capital projects.

Potential Future RDA Capital Projects: In addition to understanding the current capital program and funding needs, and knowing the limited time frame for Redevelopment Agency funding, it is also important to consider possible projects that the Agency Board may wish to undertake in the future. A list of possible ideas for future RDA-sponsored projects is contained in Attachment C. The list is in no way meant to be comprehensive but, rather, provides another basis from which to consider current and future RDA funding needs.

Some of the more significant projects include the following:

- Library Plaza: The concept is under discussion in the Library Department and is conceived as an opportunity to enhance the Anapamu frontage to coincide and coordinate with the Agency improvements at Jardin de las Granadas across the street. Concepts include the possibility of creating a sculpture garden and an open, comfortable public space. The project would complete the slate of Redevelopment improvements in this key civic space.

- Lower Milpas Improvements: Streetscape improvements, including lighting and sidewalks, would assist this neighborhood and the City in counteracting the operational impacts of the homeless services in the neighborhood.
- Fire Station No. 1 - Phase 2 Improvements: This project phase would renovate the “muffler shop” to provide administrative office space for the Fire Department. Phase 1, which is underway, does not include administrative offices, and space for that purpose is currently leased at 925 De la Vina Street. Estimated cost of the renovation is approximately \$4,000,000.
- Cabrillo Bathhouse Improvements: The Bathhouse is an important community recreational resource and is currently in significant need of renovation.
- Chase Palm Park Carousel Purchase: The carousel, a very visible component of the park, is leased from a private owner/operator. The lease with the City is due to expire and the owner/operator no longer wishes to lease or operate the carousel but would prefer to sell it to either the City or to an outside buyer that would relocate the carousel. Purchase at an estimated cost of \$750,000 by the Agency would preserve the carousel in place.
- Parking Structure Improvements: The Public Works Department has identified a number of needed improvements to the Agency-owned Parking Structures 2, 9, and 10. The estimated cost range at this preliminary discussion stage is \$2,000,000 - \$3,000,000. The structures will transfer to City ownership when the Central City Redevelopment Plan expires in 2015 and funding for maintenance and improvements could be problematical at that time.

SUSTAINABILITY IMPACT: The projects discussed in this Agenda Report will have their greatest impacts on the environment at the point they begin construction. Recognizing the possible impacts, Agency sponsored capital projects incorporate environmentally responsible design and construction techniques including, but not limited to, the specification of recycled content building materials, construction debris recycling processes, and the use of drought tolerant landscaping. These techniques further the City’s Sustainability Goals in a variety of ways specific to the individual project and include reducing waste, recycling, and reducing resource consumption.

ATTACHMENTS:

- A. Estimated Funding Sources
- B. Capital Projects and Staff-Recommended Funding
- C. Possible Future RDA Capital Projects

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SUBMITTED BY: Paul Casey, Community Development Director

APPROVED BY: City Administrator's Office

**Fiscal Year 2009
Estimated Funding Sources**

ATTACHMENT A

<u>Funding Sources</u>	<u>Estimated Amount</u>
<u>Tax Increment</u>	
FY 2009 Estimate (4% growth over FY 2008)	\$4,610,800
ERAF Obligation	(\$1,403,758)
Subtotal	\$3,207,042
<u>Non-Recurring Revenues</u>	
Fund Balance RDA General Fund (111)	\$2,563,677
Fund Balance RDA Capital Fund (311)	\$17,898
Fund Balance 2001 Bond Fund (312)	\$484,498
Fund Balance 2003 Bond Fund (313)	\$2,539,183
East Cabrillo Sidewalk Project Fund Balance	\$1,400,000
Subtotal	\$7,005,256
<u>Possible Sources of Additional Funding</u>	
Closure of FY 2007 Santa Barbara Channels Grant	\$1,000,000
Mission Creek Flood Control Enhancements Scope Reduction	\$500,000
RDA Property Acquisition	\$1,625,000
Subtotal	\$3,125,000
Total Estimated Funds Available	\$13,337,298

Capital Projects and Staff-Recommended Funding

ATTACHMENT B

Funded Projects/In Progress	Current Project Estimate	Additional Funds Needed	Staff Recommendation	Estimated Funds Remaining \$13,337,298
Police Station Locker Room/HVAC Renovation*	\$8,086,455	\$7,575,000	\$7,575,000	\$5,762,298
Fire Station #1 Remodel	\$6,700,000	\$0	\$0	\$5,762,298
Carrillo Recreation Center	\$6,700,000	\$0	\$0	\$5,762,298
West Beach Pedestrian Improvements	\$3,500,000	\$250,000	\$250,000	\$5,512,298
West Downtown Neighborhood Improvements	\$3,350,000	\$500,000	\$500,000	\$5,012,298
Plaza de la Guerra Infrastructure	\$2,200,000	\$1,400,000	\$1,400,000	\$3,612,298
Carrillo-Chapala Mixed-Use Project	\$1,882,000	tbd	\$0	\$3,612,298
Waterfront Property Development (Cacique)	\$1,453,000	tbd	\$0	\$3,612,298
Community Arts Workshop	\$1,425,000	\$735,750	\$0	\$3,612,298
Chase Palm Park Wisteria Arbor	\$835,000	tbd	\$0	\$3,612,298
Mission Creek Flood Control Enhancements	\$750,000	\$0	\$0	\$3,612,298
Visitor Center Condominium Purchase	\$500,000	tbd	\$0	\$3,612,298
Historic Rail Car Acquisition	\$405,555	\$0	\$0	\$3,612,298
Lower State Street Sidewalks (Entrada)	\$335,000	\$85,000	\$85,000	\$3,527,298
Fire Station #1 EOC	\$304,000	\$304,000	\$304,000	\$3,223,298
Westside Center Park Improvements	\$250,000	\$0	\$0	\$3,223,298
Spencer Adams Improvements	\$186,300	\$0	\$0	\$3,223,298
IPM Sustainable Park Improvements	\$156,000	\$0	\$0	\$3,223,298
Proposed to be Added to Capital Program				\$3,223,298
Mission Creek Flood Control Train Depot Project	\$2,500,000	\$2,500,000	\$2,500,000	\$723,298
Helena Parking Lot Development	\$500,000	\$500,000	\$500,000	\$223,298
	Total	\$13,849,750	\$13,114,000	\$223,298
RDA Project Contingency Account (current balance \$1,518,900)			\$223,298	\$0
<p>*There is a reduced scope project alternative under consideration for the project that has a cost estimate of approximately \$3,713,275, which would require additional funds in the amount of \$3,200,000</p>				

Possible Future RDA-Funded Capital Projects

Library Plaza: major hardscape and landscape overhaul including a possible sculpture garden

Lower Milpas Improvements: Milpas/101 to Cabrillo: lighting and sidewalks

Fire Station #1 Phase II - Renovation of former muffler shop

Purchase of Chase Palm Park Carousel: currently being leased with the option for purchase soon approaching. Estimated cost of \$750,000.

Cabrillo Bathhouse: restrooms and overall improvements to the facility.

Westside Community Center Improvements

Paseo Improvement Project: look at all Project Area public paseos, assess needs, and develop plans to improve them.

Parking Structure Improvements: primarily Parking Structures 2, 9, and 10. Estimates in the \$2,000,000 - \$3,000,000 range.

Lower West Downtown Improvements (Haley, Gutierrez, public alleyways, etc): lighting, alley upgrades, etc.

Pedestrian improvements extended for block faces around Housing Authority property at 400 block of Bath.

Chase Palm Park Improvements: lighting, plantings, pathways, sails structure, etc,

235 State Street parking lot improvements (adjacent to Enterprise Fish Co.)

Sidewalks on Cross-streets one block each way off of State Street

Cabrillo Ball Fields Restrooms Renovations

Chapala Street Improvements

Façade Improvement program – focused on West Downtown markets and stores