



CITY OF SANTA BARBARA REDEVELOPMENT AGENCY AGENDA REPORT

AGENDA DATE: September 29, 2009

TO: Chair and Boardmembers

FROM: Housing and Redevelopment Division, Community Development Department

SUBJECT: Redevelopment Agency Fiscal Year 2010 Capital Program

RECOMMENDATIONS: That the Redevelopment Agency Board:

- A. Consider funding allocations to the Redevelopment Agency Capital Program totaling \$4,611,600 and approve the proposed Fiscal Year 2010 Capital Program;
- B. Reprogram \$1,880,000 from the Agency's 2003A Bond Fund Transit Village Project as outlined in the attached Capital Projects and Staff Recommended Funding;
- C. Reprogram \$1,460,000 from the Agency's 2003A Bond Fund Waterfront Property Project as outlined in the attached Capital Projects and Staff Recommended Funding; and
- D. Remove existing appropriations of \$2,000,000 in the Housing Set Aside Fund established for the Transit Village Use Project, freeing up these funds for future affordable housing opportunities.

EXECUTIVE SUMMARY:

In the Fiscal Year 2010 Redevelopment Agency (Agency) budget process, the Agency Board deferred consideration of new capital projects and community grants. The Board wished to wait until the City budget was finalized and until there was more information about potential redirection of Agency funds by the State in response to the continuing State budget crisis in the form of a possible Educational Revenue Augmentation Fund taking (ERAF). With the recent adoption of the State's budget, redevelopment agencies statewide are required to pay a total of \$2.05 billion to the ERAF in order to reduce the State's required funding to schools. The City of Santa Barbara Redevelopment Agency's share of the \$2.05 billion is approximately \$8.3 million, which is payable over the next two years. Approximately \$6.8 million is payable in Fiscal Year 2010.

Agency staff has worked with various City departments to develop a slate of capital projects for the Agency Board to consider and those recommendations are included in this report. Agency staff is also recommending that the Agency Board forego a community grants process for Fiscal Year 2010 due to the significant ERAF taking by the State.

DISCUSSION:

Funding Sources

Redevelopment and Finance Department staff has thoroughly evaluated all available Agency funds. Current funding sources include recurring tax increment revenues, non-recurring revenues, and other sources of funds (account closures, etc). Agency obligations include items that the Agency is required to pay due to previous contractual obligations, takings by the State, etc. A summary of available Agency funds can be found in Attachment 1 and is detailed in the text below.

Recurring Tax Increment Revenues: In the Fiscal Year 2010 Agency budget, **\$6,308,125** was available from anticipated tax increment for the fiscal year after deducting the 20% housing set-aside, operating expenses, special expenses, parking infrastructure improvements and debt service ("Net Tax-Increment Revenue").

Non-Recurring Revenues: Non-recurring revenues consist of funds accumulated through fiscal year 2009 totaling **\$2,775,000**, and include \$1,650,000 primarily from tax increment revenue exceeding budget, unbudgeted interest earnings in the 2001 Bond Fund of \$25,000, and interest earnings and unspent projects funds in the 2003 Bond Fund totaling \$1,100,000.

When combined with the recurring tax increment revenues from above, the total estimated amount available for projects and programs of **\$9,083,125 (\$6,308,125 + \$2,775,000)**.

Reprogrammable Funds

Fiscal Year 2010 presents a number of possible sources of additional funding that could be reprogrammed and returned to the Agency General Fund and used to assist in funding current and future Agency projects and programs. The identified proposed sources for Fiscal Year 2010 include: removing the appropriations in the Agency's Capital Projects Fund for the Transit Village Project and the Agency's Waterfront Properties Project.

Transit Village Project: The Agency Board originally appropriated \$2 million in Fiscal Year 2005 as initial funding to pursue a mixed use development with the Metropolitan Transportation District (MTD) on City and MTD property located at the intersection of Carrillo and Chapala Streets. The funding was to be used to explore the viability of a mixed use project at the site and, if deemed viable, to be used as seed money for the future development. In May of this year, MTD officials notified Agency staff that the current economic climate and the continuing ramifications of State budget considerations have significantly impacted their financial position. MTD stated that they can not commit their limited financial resources to a project of this magnitude and withdrew from any further discussions about the mixed use development.

Agency staff recommends that the Agency Board remove the project from the Agency's capital program at this time and reprogram the remaining **\$1,880,000** as outlined in the attached Capital Projects and Staff Recommended Funding. Agency staff will monitor opportunities to develop this land. If a viable opportunity is realized, the Agency Board can assess that opportunity and appropriate funding if they desire.

In addition to the original capital development appropriation, the Agency Board, over a series of Agency budget years, has appropriated \$2 million for the affordable housing component of the development. Agency staff is requesting that this appropriation be removed and be made available for future affordable housing opportunities.

Waterfront Property: At the direction of the Agency Board, Agency staff received responses from a Request For Proposals (RFP) in August 2008 for Agency-owned property at 125 Calle Cesar Chavez Street. A number of submittals were returned and the Agency Board directed staff to further the discussion with the Santa Barbara School District to assess the feasibility of possible development scenarios at the site. After a series of meetings with staff from the Santa Barbara School District, the decision was made to terminate the current RFP process due to the extremely limited financial resources of the Santa Barbara School District, the economy, and limited RDA financial resources.

Agency staff recommends that the Agency Board remove the project from the Agency's capital program at this time and reprogram the proposed **\$1,460,000** in funding as outlined in the attached Capital Projects and Staff Recommended Funding. Agency staff will monitor opportunities to develop this land. If a viable opportunity is realized, the Agency Board can assess that opportunity and appropriate funding if they desire.

If the Agency Board decides to reprogram funds from these two projects, the total available from them would be **\$3,340,000**. When combined with the \$9,083,125 discussed previously, the total estimated funds available, before considering the Agency's financial obligations, is **\$12,423,125**.

Agency Obligations

In addition to the Agency obligations stated above which include the 20% housing set-aside, operating expenses and debt service (among others), additional Agency obligations reduce the amount of funding available for capital projects and programs and vary on an annual basis. Fiscal Year 2010 obligations include, among others, the State's ERAF taking, hazardous materials remediation at 125 State Street, and debt service arbitrage.

ERAF: The State budget was passed in late July and again included a State taking of Redevelopment Agency funds. For Fiscal Year 2010, the State budget includes a \$2.05 billion statewide ERAF taking over the next two years. The approved budget includes an unprecedented \$1.7 billion ERAF taking for Fiscal Year 2010 (approximately four times the ERAF taking in the Fiscal Year 2009) and a \$350 million ERAF taking for Fiscal Year 2011. This would amount to a one-time ERAF taking in Fiscal Year 2010 of **\$6,818,255** from the City of Santa Barbara's Redevelopment Agency. Similar to the proposed ERAF taking by the State in Fiscal Year 2009, the California Redevelopment Association will again pursue legal action against the State. The lawsuit seeks to prohibit the State from forcing county auditors to divert these redevelopment funds to the Educational Revenue Augmentation Funds. As you may recall, the lawsuit filed by the California Redevelopment Association in regard to the Fiscal Year 2009 ERAF was successful. The State has appealed the trial court's decision and the appeal is pending.

125 State Street: In 2007, Agency staff began developing a Request for Proposals (RFP) for development of Agency-owned property at the site and focused toward options that would benefit both the community and the Agency's financial situation. A provision that the Agency deliver a clean site for any proposed development was also included. In December 2007, Council directed Agency staff to negotiate exclusively with Children's Museum of Santa Barbara for the development of a children's museum (pending environmental review) and forego a formal RFP process. In April 2009, the Agency Board entered into a Memorandum of Understanding (MOU) with the Children's Museum regarding the site. The MOU is non-binding and establishes parameters to develop a project description for purposes of initiating City of Santa Barbara environmental review and to negotiate possible terms of a Disposition and Development Agreement and a site ground lease.

Agency efforts to gauge soil conditions to ensure conveyance of a clean parcel necessitated the preparation of environmental site assessments. Those investigations found hazardous contaminants at levels requiring remediation. A workplan to remediate the site is being prepared and would involve the removal of approximately 1,400 cubic yards of contaminated soil. The initial cost estimate to perform the site remediation is approximately \$550,000. The work is tentatively scheduled to begin this fall and be complete in early 2010.

Debt Service Arbitrage: The Agency currently has an approximately \$440,000 obligation regarding the Agency's 2003A Tax Allocation Bond Issuance. In the public sector, Federal law prohibits public entities from making a "profit" through the sale of debt at a lower rate than the rate being earned on the invested proceeds. The amount of debt service arbitrage in this particular case will decrease as funds from the 2003A Bond are expended over time.

The total of these additional Agency obligations is **\$7,808,255**. When this amount is subtracted from the Net Tax Increment and other funding sources available of **\$12,423,125**, there remains an estimated **\$4,614,870** available for appropriation to Agency capital projects and programs. Again, a summary of the estimated funding available can be found in Attachment 1.

Current RDA Capital Program

The Redevelopment Agency's current capital program includes 19 capital projects and three contingency/opportunity acquisition accounts, all of which total approximately \$27 million. A summary of the current capital program can be found in Attachment 2 - Current Capital Program Summary.

It should also be noted that the RDA Capital program includes a Project Contingency Account, with a current balance of approximately \$1,145,000, a Housing Opportunity Acquisition Account (\$366,500) and a Housing Fund Contingency Account (\$348,500). 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, housing acquisition opportunities, and housing projects.

Proposed Fiscal Year 2010 RDA Capital Projects: Over the last three months Agency staff has met with the various City departments and divisions in an effort to develop a comprehensive capital program for Fiscal Year 2010. Departments were asked to prioritize their proposals and provide detailed information regarding project description, project timeline, project lead, current funding status, inclusion (or not) in the City's Capital Improvement Program. A total of 42 projects were submitted for consideration with total requests exceeding \$40 million and \$4,614,870 currently available. The proposed capital program is listed in Attachment 3 and includes the following projects:

Fire Department Administration Annex: \$3,750,000 for a complete renovation of 927 Chapala Street (former muffler shop) to administration offices for Fire Department Station No.1. Off-site office space is currently being rented to Fire Department staff at a cost of approximately \$20,000 per month and completion of the annex would eliminate this operational expenditure.

Brinkerhoff Lighting: \$200,000 for the installation of Carrillo style pedestrian street lights, underground wire and a meter pedestal along Brinkerhoff Avenue, between West Cota and West Haley Streets. Lights would be installed on both sides of the street and staggered in a manner as to light the entire block. The project would likely be completed by December 31, 2009.

Chase Palm Park Restroom Renovation: \$186,600 for the complete renovation of a highly visible and heavily used restroom in Chase Palm Park. Improvements would be consistent with the Agency-funded public restroom renovation at the base of Stearns Wharf.

Downtown Sidewalks (Planning & Design): \$175,000 for planning and design to replace sidewalks with standard grey concrete and enhance landscaping elements on Ortega, Cota and Haley Streets between De la Vina Street and Santa Barbara Street – 24 block faces in total. Currently the sidewalks are in a state of general disrepair.

Downtown Parking Structure (Nos. 2, 9, and 10) Improvements (Planning & Design): \$150,000 to update the existing plans to meet the 2010 building code requirements for structural improvements and concrete repair to downtown parking garages at Lots No. 2, No. 9, and No. 10. The combined estimated construction cost to improve all three parking structures currently exceeds \$5,400,000.

Library Plaza Renovation (Planning & Design): \$150,000 for the planning and design of complete renovation of Library Plaza. The concept includes removal of walls to make the area level and a redesign consistent with the newly constructed and successful Jardin de las Granadas across East Anapamu Street.

In addition to understanding the current Agency capital program and knowing the limited time frame for Redevelopment Agency funding, it is also important to consider projects that the Agency Board may wish to undertake in the future. Attachment 4: Proposed Capital Program and Remaining Projects again shows the six proposed projects for inclusion into the Agency's Fiscal Year 2010 as well as the 36 projects totaling over \$28 million that were submitted for funding but are not being recommended for Agency funding at this 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:**
1. Estimated Funding Available
 2. Current Capital Program Summary
 3. Proposed Capital Program Fiscal Year 2010
 4. Proposed Capital Program and Remaining Projects

PREPARED BY: Brian J. Bosse, Housing and Redevelopment Manager

SUBMITTED BY: Paul Casey, Community Development Director

APPROVED BY: City Administrator's Office

Estimated Funding Available Fiscal Year 2010

Funding Sources

Revenues vs. Expenditures	\$6,308,125
Fund Balance/Carryover	\$2,775,000
Subtotal	<u>\$9,083,125</u>

Reprogrammable Funds

Transit Village Project	\$1,880,000
Transit Village Project - Affordable Housing \$2M	n/a
125 Calle Cesar Chavez Property	\$1,460,000
Subtotal	<u>\$3,340,000</u>

Funding Sources Subtotal \$12,423,125

Obligations

State ERAF Taking Fiscal Year 2010	\$6,818,255
125 State Street Hazardous Materials Remediation (site of proposed Children's Museum)	\$550,000
Debt Service Arbitrage	\$440,000
Obligations Subtotal	<u><u>\$7,808,255</u></u>

Balance Available for Projects/Programs (\$12,423,125 - \$7,808,255)

TOTAL \$4,614,870

**Redevelopment Agency
Current Capital Program Summary**

ATTACHMENT 2

	Project Name	Project Phase	Current Balance
1	Carrillo Recreation Center	Construction	\$6,058,200
2	West Downtown Neighborhood Improvements	Construction	\$3,120,600
3	West Beach Pedestrian Improvements	Construction	\$2,330,700
4	Fire Station #1 Emergency Operations Center	Construction	\$180,400
5	IPM Sustainable Park Improvements	Construction	\$104,400
6	Historic Rail Car Acquisition/Placement	Construction	\$16,800
7	Community Arts Workshop	Final Design	\$606,000
8	Westside Center Park Improvements	Final Design	\$209,200
9	Police Department Locker Room/HVAC Renovation	Preliminary Design	\$7,507,800
10	Plaza de la Guerra Infrastructure	Conceptual Design	\$2,282,800
11	Mission Creek Flood Control @ Train Depot	Concept Phase	\$2,500,000
12	Carrillo-Chapala Mixed-Use Project	Concept Phase	\$1,882,300
13	125 Calle Cesar Chavez Development	Concept Phase	\$1,460,000
14	Chase Palm Park Wisteria Arbor	Concept Phase	\$835,000
15	Mission Creek Flood Control Park Dev.	Concept Phase	\$757,600
16	Helena Parking Lot	Concept Phase	\$500,000
17	RDA Project Contingency Account	Ongoing	\$1,145,000
18	Visitor Center Condominium Purchase	Pending	\$500,000
19	Housing Opportunity Acquisition Account	Ongoing	\$366,500
20	Housing Fund Contingency Account	Ongoing	\$348,000
21	Lower State Street Sidewalks	Pending	\$335,000
22	Santa Barbara Children's Museum	Ongoing	\$0
			\$26,988,100

**Proposed
RDA Capital Program Fiscal Year 2010**

Project	Funding Available
	\$4,614,870
Fire Department Administration Annex	\$3,750,000
Brinkerhoff Lighting	\$200,000
Chase Palm Park Restroom	\$186,600
Downtown Sidewalk Improvements (Planning & Design)	\$175,000
Downtown Parking Structure (Nos. 2, 9, & 10) Improvements (Planning & Design)	\$150,000
Library Plaza Renovation (Planning & Design)	\$150,000
TOTAL	\$4,611,600

Proposed Redevelopment Agency Capital Program and Remaining Projects

			FY 2010
Page	Project Name	Funding Request	\$ 4,614,870
1	Fire Department Administration Annex	3,750,000	3,750,000
2	Brinkerhoff Lighting	200,000	200,000
3	Chase Palm Park Restroom	186,600	186,600
4	Downtown Sidewalk Improvements (Haley, Cota, Ortega)	2,200,000	175,000
5	Downtown Parking Structure Improvements (Nos. 2, 9 & 10)	5,500,000	150,000
6	Library Plaza Renovation	1,000,000	150,000
Total Requests		\$ 12,836,600	
Subtotal			\$4,611,600
Funding Remaining			\$ 3,270

Remaining Projects

			FY 2010
Page	Project Name (In order of Requested Funding)	Funding Request	3,270
7	Additional Funding for Police Department Renovations	8,000,000	
8	Cabrillo Bathhouse Renovation	6,000,000	
9	Chapala Street Corridor Improvements	2,500,000	
10	Mason Street Bridge	1,100,000	
11	Lower Milpas Pedestrian Improvements	850,000	
12	Haley Corridor/Lower WDT Street Lighting	750,000	
13	Chase Palm Park Carousel	650,000	
14	East Beach/Pavilion Sidewalks & Landscaping (Milpas to Cabrillo Arts Pavilion)	600,000	
15	RDA Parking Lot Upgrade at 235 State Street	600,000	
16	Chase Palm Park Lighting and Electrical	568,100	
17	Parking Structure No. 10 Public Restroom	500,000	
18	Mission Lagoon Restoration	500,000	
19	Staircase Replacement at Lot No.10	400,000	
20	Lower Mission Creek Historic Study	370,000	
21	Breakwater Lighting	350,000	
22	Cabrillo/Anacapa Intersection Improvements	350,000	
23	De La Vina/Figueroa Intersection Improvements	350,000	
24	Chase Palm Park Renovation	350,000	
25	East Beach & West Beach Playground Replacement	350,000	
26	De La Vina/Canon Perdido Intersection Improvements	350,000	
27	Parking Lot No.3 Paseo Improvements	300,000	
28	Cota Street Bridge at Mission Creek	276,000	
29	Waterfront Coral Tree Entry	250,000	
30	Plaza Del Mar Restroom	211,800	
31	Parking Structure No.10 Paseo Improvements	200,000	
32	Parking Structure No.7 (Library) ADA Improvements	200,000	
33	State Street Pedestrian Amenity Improvements	175,000	
34	Cabrillo Ballfield Restroom	158,400	
35	Ortega Street Bridge at Mission Creek	150,000	
36	Haley/Anacapa Intersection Improvements	150,000	
37	Children's Library - Main Branch	150,000	
38	Pershing Park Restroom	120,000	
39	West Beach Use Analysis & Cap. Improvements	100,000	
40	Waterfront Pedestrian/Vehicle Area Improvements	100,000	
41	Downtown Street Lighting Plan	40,000	
n/a	RDA Community Grant Process for FY 2010	tbd	
n/a	Affordable Housing Activities - Additional Funding	tbd	
Total Funding Request		28,069,300	
			-
Funding Remaining			3,270