

**CITY OF SANTA BARBARA
CITY COUNCIL
REDEVELOPMENT AGENCY**

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*City Administrator/
Executive Director*

Stephen P. Wiley
City Attorney/Agency Counsel

City Hall
735 Anacapa Street
<http://www.SantaBarbaraCA.gov>

**JULY 21, 2009
AGENDA**

ORDER OF BUSINESS: Regular meetings of the Finance Committee and the Ordinance Committee begin at 12:30 p.m. The regular City Council and Redevelopment Agency meetings begin at 2:00 p.m. in the Council Chamber at City Hall.

REPORTS: Copies of the reports relating to agenda items are available for review in the City Clerk's Office, at the Central Library, and <http://www.SantaBarbaraCA.gov>. In accordance with state law requirements, this agenda generally contains only a brief general description of each item of business to be transacted or discussed at the meeting. Should you wish more detailed information regarding any particular agenda item, you are encouraged to obtain a copy of the Council Agenda Report (a "CAR") for that item from either the Clerk's Office, the Reference Desk at the City's Main Library, or online at the City's website (<http://www.SantaBarbaraCA.gov>). Materials related to an item on this agenda submitted to the Council/Redevelopment Agency after distribution of the agenda packet are available for public inspection in the City Clerk's Office located at City Hall, 735 Anacapa Street, Santa Barbara, CA 93101, during normal business hours.

PUBLIC COMMENT: At the beginning of the 2:00 p.m. session of each regular Council/Redevelopment Agency meeting, and at the beginning of each special Council/Redevelopment Agency meeting, any member of the public may address them concerning any item not on the Council/Redevelopment Agency agenda. Any person wishing to make such address should first complete and deliver a "Request to Speak" form prior to the time that public comment is taken up by the Council/Redevelopment Agency. Should Council/Redevelopment Agency business continue into the evening session of a regular Council/Redevelopment Agency meeting at 6:00 p.m., the Council/Redevelopment Agency will allow any member of the public who did not address them during the 2:00 p.m. session to do so. The total amount of time for public comments will be 15 minutes, and no individual speaker may speak for more than 1 minute. The Council/Redevelopment Agency, upon majority vote, may decline to hear a speaker on the grounds that the subject matter is beyond their jurisdiction.

REQUEST TO SPEAK: A member of the public may address the Finance or Ordinance Committee or Council/Redevelopment Agency regarding any scheduled agenda item. Any person wishing to make such address should first complete and deliver a "Request to Speak" form prior to the time that the item is taken up by the Finance or Ordinance Committee or Council/Redevelopment Agency.

CONSENT CALENDAR: The Consent Calendar is comprised of items that will not usually require discussion by the Council/ Redevelopment Agency. A Consent Calendar item is open for discussion by the Council/Redevelopment Agency upon request of a Council/Agency Member, City staff, or member of the public. Items on the Consent Calendar may be approved by a single motion. Should you wish to comment on an item listed on the Consent Agenda, after turning in your "Request to Speak" form, you should come forward to speak at the time the Council/Redevelopment Agency considers the Consent Calendar.

AMERICANS WITH DISABILITIES ACT: In compliance with the Americans with Disabilities Act, if you need special assistance to gain access to, comment at, or participate in this meeting, please contact the City Administrator's Office at 564-5305 or inquire at the City Clerk's Office on the day of the meeting. If possible, notification at least 48 hours prior to the meeting will enable the City to make reasonable arrangements in most cases.

TELEVISION COVERAGE: Each regular Council meeting is broadcast live in English and Spanish on City TV Channel 18, and rebroadcast in English on Wednesdays and Thursdays at 7:00 p.m. and Saturdays at 9:00 a.m., and in Spanish on Sundays at 4:00 p.m. Each televised Council meeting is closed captioned for the hearing impaired. Check the City TV program guide at www.citytv18.com for rebroadcasts of Finance and Ordinance Committee meetings, and for any changes to the replay schedule.

ORDER OF BUSINESS

12:30 p.m. - Ordinance Committee Meeting, Council Chamber

2:00 p.m. - City Council Meeting

2:00 p.m. - Redevelopment Agency Meeting

ORDINANCE COMMITTEE MEETING - 12:30 P.M. IN THE COUNCIL CHAMBER (120.03)

Subject: Proposed Amendments To The 2007 Fire Code - RE: Fire Sprinkler Requirements

Recommendation: That the Ordinance Committee consider proposed changes to Chapter 8.04 of the Municipal Code specifying new fire sprinkler requirements for both commercial and residential property, and forward the ordinance amendments to the City Council for introduction and adoption.

**REGULAR CITY COUNCIL MEETING – 2:00 P.M.
REGULAR REDEVELOPMENT AGENCY MEETING – 2:00 P.M.**

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

CHANGES TO THE AGENDA

PUBLIC COMMENT

CONSENT CALENDAR

CITY COUNCIL

1. Subject: Minutes

Recommendation: That Council waive the reading and approve the minutes of the regular meeting of June 23, 2009.

2. Subject: Introduction Of Ordinance For Seven-Year License Agreement With Web Laundry Service Company, L.L.C. (330.04)

Recommendation: That Council approve a license with Web Service Company, L.L.C., and introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving a Seven-Year License Agreement with Web Service Company, L.L.C., Effective August 29, 2009, for a 156 Square-Foot Laundry Room at 307 Shoreline Drive.

3. Subject: Adoption Of Ordinance Establishing A Building Safety Assessment Placard System (640.04)

Recommendation: That Council adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Amending Title 22 of the Santa Barbara Municipal Code to Add Chapter 22.09 Establishing a Building Safety Assessment Placard System.

CONSENT CALENDAR (CONT'D)

CITY COUNCIL (CONT'D)

- 4. Subject: Adoption Of Ordinance Approving Grant Of Easements On City Property Near The Moreton Bay Fig Tree For The Lower Mission Creek Project (530.03)**

Recommendation: That Council adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving a Grant of Easement to Santa Barbara County Flood Control and Water Conservation District for the Lower Mission Creek Project.

- 5. Subject: Statement Of Investment Policy And Delegation Of Investment Authority For Fiscal Year 2010 (260.01)**

Recommendation: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Adopting the Investment Policy for the City and Rescinding Resolution No. 08-068; and
- B. Authorize the City Administrator/City Clerk/City Treasurer to invest or reinvest funds, or to sell or exchange securities so purchased for the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010.

- 6. Subject: Proposed Minor Amendments To City Fee Resolution (230.05)**

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Amending Resolution No. 09-043 to Clarify Consent Review Fees for Design Review, Adjust Residential Parking Permit Fees in the Downtown Parking Program, and Add a Convenience Fee for On-Line Payment of Police Department Charges.

- 7. Subject: Contract With Jacobs Consultancy For Airport Concessions Program (560.04)**

Recommendation: That Council authorize the Airport Director to execute a contract with Jacobs Consultancy for specialized services in the development of a concession and advertising program for the Airline Terminal Improvement Project, in an amount not to exceed \$59,270.

CONSENT CALENDAR (CONT'D)

CITY COUNCIL (CONT'D)

8. Subject: Sole Source Yearly Maintenance Agreement With Accela, Inc., For Land Development Team Permit Tracking Software (610.01)

Recommendation: That Council:

- A. Approve and authorize the General Services Manager to execute a maintenance agreement for \$34,288 with Accela, Inc., as the only known source for such services for the City's permit tracking software; and
- B. Authorize the renewal of the maintenance agreement on an annual basis for the next five years, subject to annual budget approval.

9. Subject: Community Promotion Contract With Old Spanish Days (230.02)

Recommendation: That Council authorize the Finance Director to execute a Community Promotion contract with Old Spanish Days in an amount of \$99,298 covering the period from July 1, 2009, to May 31, 2010.

10. Subject: Purchase Order For UCP / Work, Incorporated (320.01)

Recommendation: That Council find it in the City's best interest to waive the formal bid procedure as authorized by Municipal Code Section 4.52.080 (k), and authorize the General Services Manager to issue a purchase order to UCP / Work, Incorporated, for janitorial services at the Waterfront Department for Fiscal Year 2010 in an amount not to exceed \$220,000.

REDEVELOPMENT AGENCY

11. Subject: Minutes

Recommendation: That the Redevelopment Agency Board waive the reading and approve the minutes of the special meeting of June 23, 2009.

NOTICES

- 12. The City Clerk has on Thursday, July 16, 2009, posted this agenda in the Office of the City Clerk, on the City Hall Public Notice Board on the outside balcony of City Hall, and on the Internet.
- 13. A City Council site visit is scheduled for Monday, July 27, 2008, at 1:30 p.m. to the property located at 3750 Meru Lane, which is the subject of an appeal hearing set for July 28, 2009, at 2:00 p.m.

This concludes the Consent Calendar.

REPORT FROM THE ORDINANCE COMMITTEE

REDEVELOPMENT AGENCY REPORTS

14. Subject: Loans For Artisan Court Affordable Housing Project At 416-424 East Cota Street (660.04)

Recommendation: That the Redevelopment Agency Board and the City Council take the following actions regarding the proposed 56-unit "Artisan Court" affordable housing project at 416-424 East Cota Street to be developed by the Housing Authority of the City of Santa Barbara using new City and Agency loans totaling \$3,200,000:

- A. That the Agency Board approve loans of \$2,000,000 to the Housing Authority of the City of Santa Barbara and \$284,583 to Artisan Court L.P., using Redevelopment Agency Housing Setaside funds, appropriate these amounts from the Agency's housing fund unappropriated reserves, approve subordination of the loans to the construction financing and regulatory agreements required under the tax credit program, if required, and authorize the Executive Director or Deputy Director to execute loan agreements and related documents in a form approved by Agency Counsel;
- B. That the Agency Board approve amending the terms of the Agency's 2006 site acquisition loan of \$2,000,000 to the Housing Authority so that the terms of the existing Agency loan are made consistent with the terms of the new Agency loan and to approve subordination of the existing loan to the construction financing and regulatory agreements required by the tax credit program, if required, and authorize the Executive Director or Deputy Director to execute the required documents in a form approved by Agency Counsel;
- C. That Council approve a loan of \$915,417 of federal Home Investment Partnerships Program (HOME) funds to Artisan Court L.P. and authorize the Community Development Director to execute a loan agreement and related documents in a form approved by the City Attorney;
- D. That Council and the Agency Board adopt, by reading of title only, A Joint Resolution of the Council of the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara Finding that the Use of Redevelopment Agency Housing Setaside Funds for Development of Affordable Housing Located Outside the Central City Redevelopment Project Area (CCRP) at 416-424 East Cota Street Will Be of Benefit to the CCRP;

(Cont'd)

REDEVELOPMENT AGENCY REPORTS (CONT'D)

14. (Cont'd)

- E. That Council and the Agency Board approve the subordination of their affordability control covenant to the lien of the construction lender and to regulatory agreements required under the tax credit program, and make the finding that there is no reasonably available and economically feasible alternative for financing this project without subordination of the affordability control covenant; and
- F. That the Agency and Council take the above actions subject to the condition that Artisan Court L.P. receives approval of a commitment of low income housing tax credits according to their application to the California Tax Credit Allocation Committee dated June 9, 2009.

15. **Subject: Loan For Mom's Place Affordable Housing Project Sponsored by Transition House At 421 East Cota Street (660.04)**

Recommendation: That the City Council and Redevelopment Agency Board take the following actions regarding the proposed "Mom's Place" affordable housing project at 421 East Cota Street to be developed by Mom's L.P. using a new City loan of \$680,000:

- A. That Council approve a loan of \$680,000 of federal Home Investment Partnerships Program (HOME) funds to Mom's L.P. and authorize the City Administrator or Community Development Director to execute a loan agreement and related documents in a form approved by the City Attorney;
- B. That Council approve funding the proposed new HOME loan subject to the condition that Mom's L.P. receives low income housing tax credits and state loan funds, or other comparable financing as approved by staff and the City Attorney;
- C. That the Agency Board approve amending the Agency's 1999 acquisition loan and 2009 predevelopment loan to Transition House so that the terms of the existing loans are consistent with the proposed new HOME loan, approve assigning the two existing Agency loans to Mom's L.P., and authorize the Executive Director or Deputy Director to execute the required documents in a form approved by Agency Counsel;
- D. That the Agency Board approve subordination of the Agency loans to a new bridge loan, to a new permanent loan from the State of California, and to the regulatory agreements and covenants required under the Low Income Housing Tax Credit Program and the state's Supportive Housing Program, and authorize the Executive Director or Deputy Director to execute required documents in a form approved by Agency Counsel; and

(Cont'd)

REDEVELOPMENT AGENCY REPORTS (CONT'D)

15. (Cont'd)

- E. That Council and the Agency Board approve a new replacement affordability control covenant with Mom's L.P. covering all 16 units and approve subordination of the covenant to the liens of the bridge loan and the state's loan and to regulatory agreements and covenants required under the Low Income Housing Tax Credit Program and the state's Supportive Housing Program, make the finding that there is no reasonably available and economically feasible alternative for financing this project without subordination of the affordability control covenant, and authorize the City Administrator or Community Development Director to execute required documents in a form approved by the City Attorney.

CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS

FINANCE DEPARTMENT

16. **Subject: Proposed New Business Sector Trash And Recycling Rates (630.01)**

Recommendation: That Council:

- A. Receive a report on the outreach provided to the business sector on the new proposed rates for trash, recycling, greenwaste and foodscraps collection services; and
- B. Direct staff to initiate the noticing process per Proposition 218 requirements and schedule a public hearing at City Council in October 2009 regarding new Business Trash and Recycling Rates.

COUNCIL AND STAFF COMMUNICATIONS

COUNCILMEMBER COMMITTEE ASSIGNMENT REPORTS

ADJOURNMENT

To Monday, July 27, 2009, at 1:30 p.m. at 3750 Meru Lane. (See Agenda Item No. 13)

CITY OF SANTA BARBARA

ORDINANCE COMMITTEE

MEETING AGENDA

DATE: July 21, 2009
TIME: 12:30 p.m.
PLACE: Council Chambers

Das Williams, Chair
Dale Francisco
Grant House

Office of the City
Administrator

Office of the City
Attorney

Nina Johnson
Assistant to the City Administrator

Stephen P. Wiley
City Attorney

ITEM FOR CONSIDERATION

Subject: Proposed Amendments To The 2007 Fire Code - RE: Fire Sprinkler Requirements

Recommendation: That the Ordinance Committee consider proposed changes to Chapter 8.04 of the Municipal Code specifying new fire sprinkler requirements for both commercial and residential property, and forward the ordinance amendments to the City Council for introduction and adoption.



CITY OF SANTA BARBARA

ORDINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Ordinance Committee Members

FROM: Fire Prevention Bureau, Fire Department

SUBJECT: Proposed Amendments To The 2007 Fire Code - RE: Fire Sprinkler Requirements

RECOMMENDATION:

That the Ordinance Committee consider proposed changes to Chapter 8.04 of the Municipal Code specifying new fire sprinkler requirements for both commercial and residential property, and forward the ordinance amendments to the City Council for introduction and adoption.

BACKGROUND:

On December 4, 2007, the Council adopted Ordinance 5439, which adopted and amended the 2007 California Fire Code. The adoption process included local amendments with findings based on local needs. The California Fire Code and the adopting ordinance both went into effect on January 1, 2008.

At the time of the code adoption, staff at the Fire Prevention Bureau prepared sections amending the Fire Code that would require fire sprinklers in all new residential and commercial construction. The drafted requirements also called for fire sprinklers when certain square footage thresholds were reached in remodels and additions. The new proposed sprinkler sections were removed from the 2007 Fire Code adoption process due to time constraints and the desire to provide a greater opportunity for input from stakeholders. Examples of stakeholders include members of the development community, property owners, architects, general contractors and home builder associations, homeowners and sprinkler contractors.

On March 24, 2009, the proposed changes were presented to the Ordinance Committee. The Committee voted unanimously to forward the changes to the full City Council for adoption.

On April 14, 2009, the amendments came before City Council. At that time, additional questions arose and Council directed staff to prepare answers to the questions before

adoption. Those questions are addressed in Attachment 2, Frequently Asked Questions. In addition, questions arose from the public at the time of the meeting regarding a provision in the revised sections that required existing single family residences to install a sprinkler system for remodels exceeding 1000 square feet or 50% of the existing square footage. The speaker requested that staff consider raising the square footage threshold to 75% and eliminating the 1000 square foot threshold. Although late in the process, staff does not believe that these changes substantially alter the intent of the ordinance and have included those recommendations.

DISCUSSION:

In November 2008, the proposed fire sprinkler amendments were published in the Land Development Team Bulletin. Staff began to receive comments by phone and email and incorporated some of the suggestions into the first public meeting discussion. The meeting was conducted at the David Gebhard Room on December 4, 2008. During and following that meeting fire prevention staff continued to receive input from stakeholders that resulted in making adjustments in the proposed code sections. A second Land Development Team bulletin was published in January and a second public meeting was then conducted on January 22, 2009. Additional suggestions were received and the proposal was refined accordingly. On February 26, 2009, staff presented the proposed fire code sections to the Fire and Police Commission in their regularly scheduled meeting. The current proposal requires that automatic fire sprinklers be installed:

1. In all new buildings, residential and commercial, regardless of square footage. This includes all new single family homes. There is an exception for small utility buildings.
2. In any commercial building undergoing an addition.
3. In all commercial structures undergoing a remodel, if the remodel involves 50% or more of the building.
4. In any residential structure where an addition or a remodel exceeds 75% of the floor area.
5. In any building undergoing a change of use to a more hazardous use.

Fire sprinklers save lives and property. Residential fire sprinklers are strongly supported by the United States Fire Administration (USFA), a Division of the United States Department of Homeland Security. In a position paper dated March 28, 2008 the USFA called for both smoke detectors and fire sprinklers in residential units. They cited research by the Center for Fire Research at the National Institute of Standards and Technology, indicating that the time available to escape a burning home has decreased dramatically over the past decade. One of the reasons is the increasing volatility of home furnishings, which are often manufactured from synthetic materials. Their research indicates that when a smoke detector is installed in a residence, a reduced fatality rate of 63% is expected. When smoke detectors are used in combination with automatic sprinklers, the risk of dying in a structure fire is reduced by 82%. We have

experienced the effectiveness of residential sprinklers in Santa Barbara, with several activations in 2008, one of which saved the life of an unconscious fire victim. On September 22, 2008, the International Code Council adopted the residential sprinkler standard for inclusion into the 2011 Residential Code.

Cost. The National Fire Protection Association conducted a national study and found that the cost of installing sprinklers in single family residences to average \$1.61 per square foot. At the request of stakeholders we attempted to determine local costs, due to the higher overall construction costs in this area. Although it was not possible to determine an exact square footage cost, we contacted local sprinkler contractors and learned that the approximate cost for this area is approximately \$2.50 to \$3.00 per square foot. Residential insurance premium offsets vary, typically between a 5% to 20% reduction in the fire insurance portion of the policy depending on the carrier.

Among the questions posed by members of the public is whether or not the City's standard residential water meter (5/8 inch diameter, 20 Gallon per minute flow capacity) will be sufficient to supply adequate flow to a residential sprinkler system. Although in Staff's experience the 5/8 inch meter has been adequate in past installations, Staff is unable to say that the 5/8 inch meter will be sufficient in all installations. The reason is because every installation is calculated according to the particulars of the lot, home design, size and number of heads in the system, and friction loss due to pipe configuration. In the event that the 5/8 inch meter is not adequate, there may be significant costs associated with upgrading the water meter or installing a dedicated fireline. An estimate of the types of costs incurred has been added to the Attachment 2, Frequently Asked Questions.

Staff requests that the Committee consider the draft ordinance with the most recent revisions and forward the ordinance to the Council for introduction and subsequent adoption.

ATTACHMENT(S): 1. Draft Ordinance
2. Answers to Frequently Asked Questions

PREPARED BY: Joseph Poiré, Fire Marshal

SUBMITTED BY: Andrew DiMizio, Interim Fire Chief

APPROVED BY: City Administrator's Office

ORDINANCE COMMITTEE DISCUSSION DRAFT 7/21/09
SHOWING CHANGES FROM 4/14/09 COUNCIL INTRODUCTION DRAFT

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA AMENDING SUBSECTION E OF SECTION 8.04.020 AND SUBSECTIONS C AND D OF SECTION 22.04.020 OF THE SANTA BARBARA MUNICIPAL CODE CONCERNING LOCAL REQUIREMENTS FOR THE INSTALLATION OF AUTOMATIC FIRE SPRINKLERS

THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

SECTION 1. Findings

1. Climatic Conditions

- A. The City of Santa Barbara is located in a semi-arid Mediterranean type climate. It annually experiences extended periods of high temperatures with little or no precipitation. Hot, dry winds, (“Sundowners”) which may reach speeds of 60 m.p.h. or greater, are also common to the area. These climatic conditions cause extreme drying of vegetation and common building materials. In addition, the high winds generated often cause road obstructions such as fallen trees. Frequent periods of drought and low humidity add to the fire danger. This predisposes the area to large destructive fires. In addition to directly damaging or destroying buildings, these fires also disrupt utility services throughout the area. The City of Santa Barbara and adjacent front country have a history of such fires, including the 1990 Painted Cave Fire and the 1977 Sycamore Canyon Fire. In 2007, the city was impacted by the back country Zaca Fire and in 2008 the Tea Fire destroyed over 150 homes within the city.
- B. The climate alternates between extended periods of drought and brief flooding conditions. Flood conditions may affect the Fire Department’s ability to respond to a fire or emergency condition. Floods also disrupt utility services to buildings and facilities within the City.

- C. The city's core area continues to become more concentrated, with new multi-storied mixed-use structures whose occupants, along with the structures themselves, could be vulnerable to uncontrolled fires due to lack of available water. This necessitates the need for additional and on-site fire protection features.
- D. These dry climatic conditions and winds contribute to the rapid spread of even small fires originating in high-density housing or vegetation. These fires spread very quickly and create a need for increased levels of fire protection. The added protection of fire sprinkler systems and other fire protection features will supplement normal fire department response by providing immediate protection for the building occupants and by containing and controlling the fire spread to the area of origin. Fire sprinkler systems will also reduce the use of water for firefighting by extinguishing fires at an early stage.

2. Topographical conditions:

- A. Natural slopes of 15 percent or greater generally occur throughout the foothills of Santa Barbara, especially in the High Fire Hazard areas such as the Foothill and Extreme Foothill zones. With much of the populated lower elevation areas already built upon, future residential growth is and will continue to occur on steeper slopes and in areas with greater constraints in terrain such as the Foothill and Extreme Foothill zones. Geographic and land-use constraints throughout the city have resulted in greater density along with a large number of mixed use projects, combining residential with commercial occupancies.
- B. Traffic and circulation congestion is an ongoing problem throughout the region. Traffic flow in and through Santa Barbara is limited by the transverse Santa Ynez Mountains, which provide limited passage to the north, and the Pacific Ocean to the south. The narrow corridor that Highway 101 occupies is subject to traffic delays under normal conditions and emergency events can render the highway impassable. This has the double effect of preventing traffic from leaving the city and potentially preventing emergency workers, who often live out of town, from entering. This condition existed for several days during the La Conchita slide in 2005 and it disrupted the return of city workers who live in the Ventura area. At various times in the city's history, Highway 101 has also been closed north of the city due to mudslides, fires and flooding, most recently near Gaviota Pass, where a fire also temporarily closed the Rail access.

In addition, roads in the foothills are narrow, often steep and vulnerable to emergency conditions. Some of the older roadways are below current access standards and pose challenges to responding emergency vehicles, especially fire engines. These challenges are exacerbated in the event of an evacuation, particularly in the Foothill and Extreme Foothill zones.

- C. These topographical conditions combine to create a situation which places fire department response time to fire occurrences at risk, and makes it necessary to provide automatic on-site fire-extinguishing systems and other protection measures to protect occupants and property.

3. Geological conditions:

The City of Santa Barbara region is a densely populated area that has buildings constructed over and near a vast and complex network of faults that are believed to be capable of producing future earthquakes similar or greater in size than the 1994 Northridge and the 1971 Sylmar earthquakes. Known faults in the city include the Lavigia, North Channel Slope, Mesa and Mission Ridge-More Ranch faults. Additional faults near the city would also be capable of disruption of services, including fire protection. The Southern California Earthquake Center predicts that there is an 80-90% probability of a magnitude 7.0 earthquake somewhere in Southern California before the year 2024. Regional planning for reoccurrence of earthquakes is recommended by the State of California, Department of Conservation.

- A. Previous earthquakes have been accompanied by disruption of traffic flow and fires. A severe seismic event has the potential to negatively impact any rescue or fire suppression activities because it is likely to create obstacles similar to those indicated under the high wind section above. With the probability of strong aftershocks there exists a need to provide increased protection for anyone on upper floors of buildings. The October 17, 1989, Loma Prieta earthquake resulted in one major fire in the Marina District (San Francisco). When combined with the 34 other fires locally and over 500 responses, the department was taxed to its fullest capabilities. The Marina fire was difficult to contain because mains supplying water to the district burst during the earthquake. In addition to gas mains, individual gas and electric service connections to residences may provide both fuel and ignition sources during a seismic event. This situation creates the need for both additional fire protection and automatic on-site fire protection for building occupants.
- B. Road circulation features located throughout Santa Barbara also make amendments reasonably necessary. There are major

roadways, highways and flood control channels that create barriers and slow response times. Hills, particularly in the Foothill and Extreme Foothill zones, slopes, street and storm drain design accompanied by occasional heavy rainfall, cause roadway flooding and landslides and at times may make an emergency access route impassable. Much of Sycamore Canyon lies in an area subject to geologic activity, as witnessed by the recent closure of the road due to the slide potential.

The climatic, topographical, and geological conditions described above make it prudent to rely upon automatic fire sprinkler systems to mitigate extended fire department response times. The automatic sprinkler requirements specified in this ordinance are intended to lessen life safety hazards and keep fires manageable with potentially reduced fire flow (water) requirements for a given structure.

SECTION 2. Subsection E of Section 8.04.020 of the Santa Barbara Municipal Code is deleted in its entirety and readopted to read as follows:

E. **Chapter 9** of the International Fire Code is amended as follows:

1. **Section 903.2 “Where required.”** of Section 903 of the International Fire Code is amended to add Section 903.2.18 to read as follows:

903.2.18 City of Santa Barbara Local Requirements. Approved sprinkler systems shall be provided throughout a building in connection with the projects or changes of occupancy listed in this Section 903.2.18 or as specified elsewhere in this Section 903.2, whichever is more protective.

903.2.18.1 New Buildings, Generally. The construction of a new building containing any of the following occupancies: A, B, E, F, H, I, L, M, R, S or U.

Exceptions: A new building containing a Group U occupancy that is constructed in the City’s designated High Fire Hazard Area is not required to provide a sprinkler system as long as the building does not exceed 500 square feet of floor area. A new building containing a U occupancy that is constructed outside the City’s designated High Fire Hazard Area is not required to provide a sprinkler system as long as the building does not exceed 5000 square feet of floor area.

903.2.18.2 New Buildings in the High Fire Hazard Area. The construction of any new building within the City’s designated High Fire Hazard Area.

Exception: A new building containing a Group U occupancy that is constructed in the City’s designated High Fire Hazard Area is not required to

provide a sprinkler system as long as the building does not exceed 500 square feet of floor area.

903.2.18.3 Additions to Buildings Other than Single Family

Residences. The addition of floor area to an existing building that contains any occupancy other than Group R, Division 3.

903.2.18.4 Remodels of Buildings Other than Single Family

Residences. The remodel or alteration of the interior of an existing building that contains any occupancy other than Group R, Division 3, where the floor area of the portion of the building that is modified or altered exceeds 50% of the existing floor area of the building. For purposes of this section, all modifications or alterations to an existing building that occur after the effective date of the ordinance adopting this section shall be counted in the aggregate toward the 50% threshold measured against the floor area of the building as it existed on the effective date of the ordinance adopting this section.

903.2.18.5 Additions to or Remodels of Single Family

Residences. The addition of floor area to, or the modification or alteration of the interior of, an existing building that contains a Group R, Division 3 occupancy, where the floor area of the portion of the building that is added, modified, or altered exceeds ~~1,000 square feet or 50~~75% of the existing floor area of the building. For purposes of this section, all additions, modifications, or alterations to an existing building that occur after the effective date of the ordinance adopting this section shall be counted in the aggregate toward the ~~1,000 square foot threshold or the~~ 5075% threshold measured against the floor area of the building as it existed on the effective date of the ordinance adopting this section.

903.2.18.6 Change of Occupancy to a Higher Hazard

Classification. Any change of occupancy in an existing building where the occupancy changes to a higher hazard classification.

903.2.18.7 Computation of Square Footage.

For the purposes of this Section 903.2.18, the floor area of buildings shall be computed in accordance with the definition of "Floor area, Gross" provided in Section 1002.1 of the California Building Code.

903.2.18.8 Existing use.

Except as provided in this Section 903.2, any building in existence at the time of the effective date of the ordinance adopting this section may continue with such use if such use was legal at the time.

2. **Section 907 "Fire Alarm and Detection Systems"** of the International Fire Code is amended to add Section 907.1.5 to read as follows:

907.1.5 Mixed Use Occupancies. Where residential occupancies are combined with commercial occupancies, a fire alarm system shall be installed

which notifies all occupants in the event of a fire. The system shall include automatic smoke detection throughout the commercial and common areas. In addition, a notification system shall be installed in a manner and location approved by the fire code official that indicates the presence of residential dwelling units in accordance with Municipal Code Section 8.04.030 B.

SECTION 3. Subsections C and D of Section 22.04.020 of the Santa Barbara Municipal Code are deleted in their entirety and readopted to read as follows:

C. Section 903.2 “Where Required.” of Section 903 is amended to add Section 903.2.18 to read as follows:

903.2.18 City of Santa Barbara Local Requirements. Approved sprinkler systems shall be provided throughout a building in connection with the projects or changes of occupancy listed in this Section 903.2.18 or as specified elsewhere in this Section 903.2, whichever is more protective.

903.2.18.1 New Buildings, Generally. The construction of a new building containing any of the following occupancies: A, B, E, F, H, I, L, M, R, S or U.

Exceptions: A new building containing a Group U occupancy that is constructed in the City’s designated High Fire Hazard Area is not required to provide a sprinkler system as long as the building does not exceed 500 square feet of floor area. A new building containing a U occupancy that is constructed outside the City’s designated High Fire Hazard Area is not required to provide a sprinkler system as long as the building does not exceed 5000 square feet of floor area.

903.2.18.2 New Buildings in the High Fire Hazard Area. The construction of any new building within the City’s designated High Fire Hazard Area.

Exception: A new building containing a Group U occupancy that is constructed in the City’s designated High Fire Hazard Area is not required to provide a sprinkler system as long as the building does not exceed 500 square feet of floor area.

903.2.18.3 Additions to Buildings Other than Single Family Residences. The addition of floor area to an existing building that contains any occupancy other than Group R, Division 3.

903.2.18.4 Remodels of Buildings Other than Single Family Residences. The remodel or alteration of the interior of an existing building that contains any occupancy other than Group R, Division 3, where the floor area of the portion of the building that is modified or altered exceeds 50% of the existing floor area of the building. For purposes of this section, all modifications or alterations to

an existing building that occur after the effective date of the ordinance adopting this section shall be counted in the aggregate toward the 50% threshold measured against the floor area of the building as it existed on the effective date of the ordinance adopting this section.

903.2.18.5 Additions to or Remodels of Single Family

Residences. The addition of floor area to, or the modification or alteration of the interior of, an existing building that contains a Group R, Division 3 occupancy, where the floor area of the portion of the building that is added, modified, or altered exceeds ~~1,000 square feet or 50~~75% of the existing floor area of the building. For purposes of this section, all additions, modifications, or alterations to an existing building that occur after the effective date of the ordinance adopting this section shall be counted in the aggregate toward the ~~1,000 square foot threshold or the~~ 5075% threshold measured against the floor area of the building as it existed on the effective date of the ordinance adopting this section.

903.2.18.6 Change of Occupancy to a Higher Hazard

Classification. Any change of occupancy in an existing building where the occupancy changes to a higher hazard classification.

903.2.18.7 Computation of Square Footage.

For the purposes of this Section 903.2.18, the floor area of buildings shall be computed in accordance with the definition of "Floor area, Gross" provided in Section 1002.1 of the California Building Code.

903.2.18.8 Existing use.

Except as provided in this Section 903.2, any building in existence at the time of the effective date of the ordinance adopting this section may continue with such use if such use was legal at the time.

D. [Reserved.]

Section 4. This ordinance shall become effective ~~on July 1, 2009~~thirty (30) days following adoption. The provisions of this ordinance shall apply to any building permit application for the construction, addition, or remodel of any structure that is submitted to the City ~~on or after July 1, 2009~~on or after the effective date of this ordinance; provided, however, the provisions of this ordinance shall not apply to an application for a building permit for the construction of a residential structure to replace a residential structure that was damaged or destroyed by the Tea Fire or the Jesusita Fire and where the ownership of the property has not changed since the date of the fire.



City of Santa Barbara
Fire Prevention Bureau

Residential Sprinkler System Frequently Asked Questions and Facts

Where do I tell people to start? Will they find fire sprinklers in the yellow pages?

If a home builder is not familiar with contractors that install residential fire sprinklers, there are several options.

Look in the local Yellow Pages under "Sprinklers, Fire"

Ask a local or state fire marshal if contractors in your state are required to be licensed. If they are, contact the state licensing board for a current list of licensed contractors.

Contact fire sprinkler contractor associations for names of residential sprinkler contractors in your area.

An increasing number of contractors have Web pages describing their capabilities.

Any professional fire sprinkler contractor can install these systems, but for best results look for a contractor that specializes in residential fire sprinkler systems or one that has a residential sprinkler installation unit within the company.

How much should people expect to pay for a fire sprinkler system?

If installed during new home construction, home fire sprinklers often cost no more than 1 to 1 ½ percent of the total building cost, which is about what they would pay for an upgrade in carpeting. The investment in a family's fire protection may be slightly lower or higher, depending on the location and complexity of the home. In Santa Barbara the cost is approximately \$2.50 to \$3.00 per square foot depending on complexity of the installation.

A review of potential water upgrade costs is detailed below, and contractor rates vary. The City Fire Department plan review and inspection fee for a single family residence sprinkler system is \$171.00.

How long should installation take? Can other construction work continue while the sprinklers are going in?

Fire sprinkler installations are similar to electricity, plumbing or any other operational system in a home. The total time involved will depend on the size and complexity of the home.

Certain portions of the system (i.e. water piping) are more easily and cost-effectively installed in the earliest stages of construction, while the actual finish (i.e. installing the fire sprinkler devices, testing the system, etc.) will take place after the house is framed. Fire sprinkler systems are often completed prior to the other systems in a home, but other mechanical trades may work alongside the sprinkler contractor if necessary.

How are fire sprinkler systems maintained?

A residential fire sprinkler system is basically maintenance free. The only testing required on a regular basis is opening the drain/test valve to check the alarm operation. The rest of the system is designed to operate properly for 20 years or more without any maintenance.

Some basic precautions to safeguard the fire sprinkler system are: Avoid painting or otherwise covering the fire sprinkler devices, as that will affect their sensitivity to heat.

Do not hang decorations, plants or other objects from the sprinkler or piping.

Other things to consider:

- Test the system periodically by opening the test valve and listening for an alarm bell.
- Know the location of the system shutoff valve.
- Make sure the system control valve is always open.
- Have your system reevaluated for needed upgrades when:
 - Water supply changes--addition or change of backflow device or water meter, or reduction of public water supply.
 - Building changes (walls, partitions, additions).

What if a home will not be connected to a public water supply?

Homes can be protected by automatic fire sprinklers in even the most remote areas. Several manufacturers offer self-contained water tanks to supply residential fire sprinkler systems. These tanks are designed to fit in a garage or another storage area of the home, and they hold enough water to comply with the National Fire Protection Association Standard 13D, Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes.

Will homeowner's insurance premiums go up?

No. Generally insurance rates will go down because fire sprinklers will keep damage low. Shop around; the savings vary by insurance company.

Modern fire sprinklers provide unobtrusive protection.

Unlike commercial fire sprinklers, residential sprinklers are small, and can be recessed into ceilings or walls. Some models are completely concealed by plates that can be matched to room paint colors. Modern residential sprinkler heads have been designed to be virtually unnoticeable even in open beam and cathedral ceilings.

How do fire sprinklers work?

Automatic fire sprinklers are individually heat-activated and attached to a network of piping with water under pressure. When the heat of a fire raises the sprinkler temperature to its operating temperature (usually 135° F), a solder link will melt or a liquid-filled glass bulb will shatter to open that sprinkler, releasing water and sounding an alarm. By acting automatically at the origin of a fire, sprinklers prevent a fire from growing to a dangerous size.

Do sprinklers go off accidentally?

It is possible for a sprinkler to discharge accidentally, but this is an extremely rare occurrence in systems which are properly maintained. Records indicate that only 1 in 16,000,000 sprinklers per year will open accidentally.

Do fire sprinklers cause widespread water damage?

Fire department hoses typically discharge ten to a hundred times more water than that discharged by sprinklers. Since *only* the sprinkler closest to the fire is activated, the total amount of water is limited. Fire damage is also limited; most fires are put out quickly, by only a few sprinklers, in areas with a fully functional sprinkler system.

Will the sprinkler system be effective during a wildland fire?

Residential fire sprinkler systems are a life safety device designed for interior compartment fires and not for exterior fires such as a wildland fire. Statistically, fires originating in the home are the most common cause of fire death. Although the Fire Department has documented one incident during the Tea Fire where the residential sprinkler system saved a home when the exterior deck ignited, that incident is the exception. The most effective life safety component in a wildland fire is evacuation. New construction requirements, defensible space and vegetation management in wildland areas are more effective defenses for structures against wildfire.

If we get another Tea Fire or Jesusita Fire, won't we have a lot of the sprinklers going off in the newly sprinklered homes thus causing a precipitous drop in water pressure and causing inadequate hydrant pressure during the next wildland fire?

No. The sprinkler heads in a residential sprinkler system are activated by heat from within the compartment they are protecting, not from the exterior. In the case of the Tea Fire, the houses destroyed during that event also had their water systems and associated piping and appliances destroyed, which in turn, allowed water to run freely until the water to the property was turned off. In essence, we will have the same water pressure issues in a Tea Fire scenario regardless if houses are equipped with sprinkler systems or not.

Is a 5/8 inch domestic water meter adequate to supply a residential fire sprinkler system?

The 5/8 inch water meter debate continues in fire protection circles, with engineering experts on both sides of the issue. For Single family residences, the City of Santa Barbara generally installs 5/8 inch water meters that are designed to operate at a flow rate of 20 Gallons Per Minute (GPM). NFPA 13D requires 18 GPM as a general rule to operate the most remote sprinkler head. The standard domestic water meter provides 20 GPM. There are engineered options within NFPA 13D that allows the Fire Department to accept approved and listed sprinkler heads that operate at a lower GPM but still provide the same level of protection. On rare occasions when the domestic supply cannot meet the system demand tanks and/or pumps can be added to increase flow and pressure. The City has allowed the installation of home fire sprinklers as a mitigation measure in lieu of other requirements for years. In the approximately 100+ residences throughout the City that currently have automatic fire sprinkler systems it has been the experience of the Santa Barbara City Fire Prevention Bureau that a 5/8 inch water meter has worked for the majority of the applications.

That being said, a 5/8 inch water meter may not be adequate for all installations. The reason is because every installation is calculated according to the particulars of the lot such as the grade, length of the supply pipe, home design, size, number of heads and friction loss due to pipe configuration. In the event that the 5/8 inch water supply does not provide adequate water, there are options available to upgrade the water supply. Potential costs associated with water meter upgrade are estimated below.

The City water rates quoted below are from the Public Works Water Resources Fee Schedule effective July 1, 2009.

Ordinance Committee, Attachment 2
 7/21/09

1. A standard 5/8 inch water meter has an annual fee of \$143.40 and a one time connection fee of \$2041.00. Water usage is then charged by hundred cubic feet (hcf) used.
2. To upgrade to a 1 inch meter, the annual fee is \$358.80, an increase of \$215.40 over the 5/8 inch meter. The one time connection fee of \$2506.00 is \$465.00 greater than the 5/8 inch supply.
3. City policy also allows for unmetered water for a private fireline, using a 2 inch supply. This would require the builder to trench and tap the City water main, which would involve costs that will vary according to difficulty. Currently, the City fee for tapping the water main is \$885.00. There are a limited number of contractors allowed to perform this work and estimates for a typical connection, trench and repair of the City Street range from \$4000.00 to \$8000.00. in addition to the underground installation, a backflow device is required at an approximate cost of \$300.00. Although unmetered, there is also an annual fee of \$55.92 for the private fire line.

Pipe / Meter Size of Service	5/8"	1"	2"(Fire)
Annual	\$143.40	\$358.80	\$55.92
Connection	\$2041.00	\$2506.00	\$885.00
Trench (one time fee)			\$8,000.00 (estimate)
Backflow (one Time Fee)			\$300.00 (estimate)
First Year Totals*	\$2184.40	\$2864.80	\$9240.92
Subsequent years*	\$143.40	\$358.80	\$55.92

* Does not include the single family residence hcf usage rate of \$2.84 for the first 4 hundred cubic feet, \$4.76 for the next 16 hcf and \$5.01 for hcf over 20.

FACTS

Fires kill more people in the United States every year than all natural disasters combined.

80% of all fire deaths occur in the home. The single most effective way to prevent fire-related deaths is the installation of residential fire sprinklers. Combined with smoke alarms, they cut the risk of dying in a home fire by 82% compared to having neither.

Fire sprinklers can save money for developers, builders, home owners, and communities.

Through the use of trade-ups, developers and builders can achieve reduced construction costs while providing higher value homes for their customers. In the event of a home fire, homeowners can expect financial losses 90% lower than those that occur from fires in unsprinklered homes. Communities can deploy emergency services resources more effectively by reducing the burden caused by home fires.

Ordinance Committee, Attachment 2
7/21/09

Installing both smoke alarms and a fire sprinkler system reduces the risk of death in a home fire by 82%, relative to having neither.

Facts & Figures

- Sprinklers typically reduce chances of dying in a fire and the average property loss by one-half to two-thirds compared to where sprinklers are not present.
- In 2002, 79% of fires occurred in the home, resulting in 2,670 fire deaths.

Only the sprinkler closest to the fire will activate, spraying water directly on the fire. Each sprinkler is individually activated by heat. Despite "sight gags" on TV sit-coms, smoke does not trigger sprinkler operation. The rest of the sprinklers in a house will not activate unless there is also a fire in that location. 90% of all home fires are contained with a single sprinkler.

Fire hoses, on average, use more than 8 1/2 times the water that sprinklers do to contain a fire.

According to the Scottsdale Report, a 15-year study of fire sprinkler effectiveness, a fire sprinkler uses, on average, 341 gallons of water to control a fire. Firefighters, on average, use 2,935. Reduced water damage is a major source of savings for homeowners.

The likelihood that a sprinkler will accidentally discharge because of a manufacturing defect is extremely rare.

Sprinkler mishaps are generally less likely and less severe than accidents involving home plumbing systems.



CITY OF SANTA BARBARA CITY COUNCIL MINUTES

REGULAR MEETING June 23, 2009 COUNCIL CHAMBER, 735 ANACAPA STREET

CALL TO ORDER

Mayor Marty Blum called the joint meeting of the Council, Redevelopment Agency and Santa Barbara Financing Authority to order at 2:00 p.m. (The Ordinance Committee met at 12:30 p.m. The Finance Committee, which ordinarily meets at 12:30 p.m., did not meet on this date.)

PLEDGE OF ALLEGIANCE

Mayor Blum.

ROLL CALL

Councilmembers present: Iya G. Falcone, Dale Francisco, Roger L. Horton, Grant House, Helene Schneider, Das Williams, Mayor Blum.

Councilmembers absent: None.

Staff present: City Administrator James L. Armstrong, City Attorney Stephen P. Wiley, Deputy City Clerk Susan Tschech.

CEREMONIAL ITEMS

1. Subject: Proclamation Declaring June 23, 2009, as Olympic Day (120.04)

Action: Proclamation presented to Terry Brown, City Youth Activities Supervisor, and Beverley Lewis, representing Club West and Santa Barbara Youth Track Club.

PUBLIC COMMENT

Speakers: Mavis Thibodeaux; Gert Walter; David Daniel Diaz; Kate Smith; Ken Palley, Surfrider Foundation; Kenneth Loch; Lois Hamilton, Surfrider Foundation.

ITEM REMOVED FROM CONSENT CALENDAR

11. Subject: State Use Of Local Highway Users Tax Account (HUTA) Funds (670.05)

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Authorizing the City Attorney to Cooperate With the League Of California Cities as Well as Other Cities And Counties In Litigation Challenging The Constitutionality of Any Seizure By State Government of Santa Barbara’s Share of the Street Maintenance Funds Generated by the State Highway Users Tax.

Documents:

- June 23, 2009, report from the City Attorney.
- Proposed Resolution.

The title of the resolution was read.

Motion:

Councilmembers Falcone/Horton to approve the recommendation; Resolution No. 09-039.

Vote:

Majority roll call vote (Noes: Councilmember Williams).

CONSENT CALENDAR (Item Nos. 2 – 10 and 14)

Motion:

Councilmembers Falcone/Schneider to approve the Consent Calendar as recommended.

Vote:

Unanimous roll call vote.

2. Subject: Minutes

Recommendation: That Council waive the reading and approve the minutes of the special meetings of June 1 and June 2, 2009, the regular meeting of June 2, 2009, and the special meeting of June 4, 2009.

Action: Approved the recommendation.

3. Subject: Agreement For Use Of Coastal Zone Affordable Overnight Accommodation Funds (660.04)

Recommendation: That Council approve and authorize the Community Development Director to negotiate and execute, subject to approval of the City Attorney, a grant agreement between the City of Santa Barbara and Transition House in the amount of \$45,000 for the use of Coastal Zone Affordable Overnight Accommodation Funds for a pilot program to provide emergency hotel vouchers for homeless persons waiting to get into an emergency shelter or transitional shelter/housing.

Speakers:

Member of the Public: Kathleen Baushke, Transition House.

Action: Approved the recommendation; Agreement No. 23,130 (June 23, 2009, report from the Community Development Director).

4. Subject: Community Development And Human Services Committee Revised Funding Recommendations For Fiscal Year 2010 (610.05)

Recommendation: That Council approve the revised funding recommendations of the Community Development and Human Services Committee for Fiscal Year 2010 Community Development Block Grant and Human Services funds.

Speakers:

Staff: Community Development Program Supervisor Sue Gray.

Action: Approved the recommendation (June 23, 2009, report from the Community Development Director).

5. Subject: Renewal Of Agreement For Paratransit Services With Easy Lift Transportation, Incorporated (670.01)

Recommendation: That Council authorize the Public Works Director to execute an agreement with Easy Lift Transportation, Incorporated (Easy Lift), for paratransit services for elderly and mobility-impaired people, in an amount not to exceed \$229,416.73 for Fiscal Year 2010.

Action: Approved the recommendation; Agreement No. 23,131 (June 23, 2009, report from the Public Works Director).

6. Subject: Contract For Environmental Services For The Cabrillo Boulevard Bridge Replacement Project (530.04)

Recommendation: That Council authorize the Public Works Director to execute a contract with Science Applications International Corporation (SAIC) in the amount of \$46,600 for environmental services for the Cabrillo Boulevard Bridge Replacement Project (Project), and authorize the Public Works Director to approve expenditures of up to \$4,660 for extra services of SAIC that may result from necessary changes in the scope of work.

Action: Approved the recommendation; Contract No. 23,132 (June 23, 2009, report from the Public Works Director).

7. Subject: Bureau Of Justice Assistance, Edward Byrne Memorial Grant (520.04)

Recommendation: That Council accept a grant from the U.S. Department of Justice, Office of Justice Programs, totaling \$777,206, and authorize the Chief of Police to execute the grant agreement.

Action: Approved the recommendation; Agreement No. 23,133 (June 23, 2009, report from the Chief of Police).

8. Subject: Santa Barbara Airport Thermal Image Camera Project (560.01)

Recommendation: That Council:

- A. Approve additional Change Order expenditure for Purchase Order 380668 with Taft Electric Company in the amount of \$21,356 for the Santa Barbara Airport Thermal Image Camera Project; and
- B. Authorize use of \$21,356 remaining in a completed capital project in the Airport Capital Fund for the Thermal Image Camera Project.

Speakers:

Staff: Airport Operations Manager Tracy Lincoln.

Action: Approved the recommendation (June 23, 2009, report from the Airport Director).

9. Subject: Set A Date For Public Hearing Regarding Appeal Of Single Family Design Board Approval For 3750 Meru Lane (640.07)

Recommendation: That Council:

- A. Set the date of July 28, 2009, at 2:00 p.m. for hearing the appeal filed by Larry and Gerrie Fausett of the Single Family Design Board Preliminary Approval of an application for property owned by Terence and Susan Quinlan and located at 3750 Meru Lane, Assessor's Parcel No. 057-262-011, E-3 One-Family Residence and SD-2 Special District Zones, General Plan Designation: Residential, 5 Units per Acre.

(Cont'd)

9. (Cont'd)

A. (Cont'd)

The project proposes the demolition of an existing 2,279 square-foot single-family residence and 400 square-foot garage, and the construction of a new 4,268 square-foot two-story single-family residence with attached 446 square-foot garage; and

- B. Set the date of July 27, 2009, at 1:30 p.m. for a site visit to the property located at 3750 Meru Lane.

Action: Approved the recommendations (June 5, 2009, letter of appeal).

10. Subject: Set A Date For Public Hearing Regarding Appeal Of Fire And Police Commission Decision For Q's Sushi A Go-Go, 409 State Street (520.01)

Recommendation: That Council:

- A. Set the date of August 11, 2009, at 2:00 p.m. for hearing the appeal filed by David Houston, Owner, Q's Sushi a Go-Go located at 409 State Street, of the Fire and Police Commission decision to place conditions on the renewal of a nightclub dance permit; and
- B. Set the date of August 10, 2009, at 1:30 p.m. for a site visit to the property located at 409 State Street.

Action: Approved the recommendations (letter of appeal received June 8, 2009).

Agenda Item No. 12 appears in the Redevelopment Agency minutes.

Agenda Item No. 13 appears in the Santa Barbara Financing Authority minutes.

NOTICES

14. The City Clerk has on Friday, June 19, 2009, posted this agenda in the Office of the City Clerk, on the City Hall Public Notice Board on the outside balcony of City Hall, and on the Internet.

This concluded the Consent Calendar.

REPORT FROM THE ORDINANCE COMMITTEE

Ordinance Committee Chair Das Williams reported that the Committee met to review proposed amendments to the Municipal Code to establish a Building Safety Assessment Placard System and to regulate abusive panhandling within the City. The Committee approved both ordinances for submittal to the full Council for introduction and subsequent adoption.

CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS

COMMUNITY DEVELOPMENT DEPARTMENT

15. Subject: South Coast 101 High Occupancy Vehicle Lane Project (670.07)

Recommendation: That Council receive a presentation from the Santa Barbara County Association of Governments and Caltrans regarding the South Coast 101 High Occupancy Vehicle (HOV) Project.

Documents:

June 23, 2009, report from the Community Development Director.

Speakers:

- Staff: Supervising Transportation Planner Rob Dayton.
- Santa Barbara County Association of Governments: Public Information and Government Affairs Coordinator Gregg Hart.

Discussion:

Mr. Hart explained the project in detail, including its phases and construction costs. Councilmembers' questions were answered.

ADMINISTRATIVE SERVICES DEPARTMENT

16. Subject: Proposed Charter Amendments Affecting The Architectural Board Of Review, Harbor Commission, Park Commission And Recreation Commission, And Residency Requirements (110.01)

Recommendation: That Council review the draft charter amendment language and provide direction to staff concerning any needed revisions.

Documents:

June 23, 2009, report from the City Attorney and the Administrative Services Director.

Speakers:

Staff: Administrative Services Director Marcelo López, Parks and Recreation Director Nancy Rapp, City Attorney Stephen Wiley, Waterfront Director John Bridley.

(Cont'd)

16. (Cont'd)

Motion:

Councilmembers Schneider/Horton to approve the proposed amendments to Charter Sections 809 (Board of Park Commissioners) and 810 (Recreation Commission), with a further amendment to the first paragraph of Section 809 to read ". . .one member of the Parks and Recreation Commission may be an individual residing within the City of Santa Barbara of age sixteen (16) years or older. . ."

Vote:

Majority voice vote (Noes: Councilmember Francisco, Mayor Blum).

Motion:

Councilmembers House/Schneider to approve the proposed amendments to Charter Section 814 (Architectural Board of Review), as presented.

Vote:

Unanimous voice vote.

Motion:

Councilmembers House/Falcone to approve the proposed amendments to Charter Section 811 (Board of Harbor Commissioners), as presented.

Vote:

Unanimous voice vote.

RECESS

4:20 p.m. - 4:34 p.m.

CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS (CONT'D)

CITY ADMINISTRATOR

17. Subject: Fiscal Year 2010 Unpaid Furlough And Related Labor Agreement Updates (Managers, Supervisors, and General Employees) (440.03)

Recommendation: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Declaring a Mandatory Unpaid Furlough for City Employees During Fiscal Year 2009-2010 and Approving a General Furlough Closure Schedule for Certain City Offices; and
- B. Introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Amending the 2008-2010 Memorandum of Understanding Between the City of Santa Barbara and the Santa Barbara City Employees' Association (General Unit) to Include a Supplemental Agreement Regarding Furlough and Other Layoff Avoidance Measures.

(Cont'd)

17. (Cont'd)

Documents:

- June 23, 2009, report from the Assistant City Administrator.
- Proposed Resolution and Ordinance.
- PowerPoint presentation prepared and made by Staff.

The titles of the resolution and ordinance were read.

Speakers:

- Staff: Employee Relations Manager Kristine Schmidt.
- Service Employees International Union, Local 620: Field Representative George Green.

Motion:

Councilmembers Horton/Falcone to approve the recommendations;
Resolution No. 09-040.

Vote:

Unanimous roll call vote.

FINANCE DEPARTMENT

18. Subject: Adoption Of The Operating And Capital Budget For Fiscal Year 2010
(230.05)

Recommendation: That Council adopt, by reading of title only:

- A. A Resolution of the Council of the City of Santa Barbara Adopting the Budget for the Fiscal Year 2010 by Appropriating Moneys for the Use and Support of Said City from the Funds and to the Purposes Herein Specified;
- B. A Resolution of the Council of the City of Santa Barbara Establishing the City's Appropriation Limitation for Fiscal Year 2010;
- C. A Resolution of the Council of the City of Santa Barbara Establishing Certain City Fees, Including Water and Wastewater Rates, and Rescinding Resolution Nos. 08-060, 08-097, 08-111, 08-112, 09-007, 09-016, and Section 2 of Resolution No. 85-066;
- D. A Resolution of the Council of the City of Santa Barbara Authorizing Classified and Unclassified Positions in the City's Service Effective July 1, 2009, and Providing a Schedule of Classifications and Salaries for the Same in Accordance with the Operating Budget for the 2010 Fiscal Year;
- E. A Resolution of the Council of the City of Santa Barbara Authorizing the Continuation of Capital and Special Project Appropriations to Fiscal Year 2010;

(Cont'd)

18. (Cont'd)

- F. A Resolution of the Council of the City of Santa Barbara for Paying and Reporting the Value of Employer-Paid Member Contributions (EPMC) for Regular Miscellaneous Employees Effective June 20, 2009; and
- G. A Resolution of the Council of the City of Santa Barbara for Employer-Paid Member Contributions for Hourly Employees Effective June 20, 2009.

Documents:

- June 23, 2009, report from the Finance Director.
- Proposed Resolutions.
- E-mail from Staff and amended page from the proposed resolution establishing certain City fees, including water and wastewater rates.
- PowerPoint presentation prepared and made by Staff.

The titles of the resolutions were read.

Speakers:

- Staff: Finance Director Robert Peirson, City Administrator James Armstrong, Water Resources Supervisor Bill Ferguson, Library Director Irene Macias, Public Works Director Christine Andersen.
- Members of the Public: Monica Jones, Friends of Los Baños Pool; Mitchell Sjerven and Tom Patton, Santa Barbara Conference and Visitors Bureau and Film Commission.

Motion:

Councilmembers Horton/House to approve the recommendations, adopting Resolution Nos. 09-041 - 09-047, including the Staff-recommended revisions to the resolution establishing certain City fees, including water and wastewater rates (recommendation C, Resolution No. 09-043).

Vote:

Unanimous roll call vote.

REDEVELOPMENT AGENCY REPORTS

19. Subject: Redevelopment Agency Operating Budget For Fiscal Year 2010 And Associated Documents (620.03)

Recommendation:

- A. That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving a Parking Operations Agreement for Parking Structure No. 2, Parking Structure No. 10, Parking Lot No. 11, Parking Lot No. 12, the Granada Garage Complex, the Railroad Station Parking Lots, and the Two Transportation Management Program Employee Parking Lots, Between the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010;

(Cont'd)

19. (Cont'd)

- B. That the Agency Board adopt, by reading of title only, A Resolution of the Redevelopment Agency of the City of Santa Barbara Approving a Parking Operations Agreement for Parking Structure No. 2, Parking Structure No. 10, Parking Lot No. 11, Parking Lot No. 12, the Granada Garage Complex, the Railroad Station Parking Lots, and the Two Transportation Management Program Employee Parking Lots, Between the Redevelopment Agency of the City of Santa Barbara and the City of Santa Barbara for Fiscal Year 2010;
- C. That the Agency Board amend the proposed Redevelopment Agency Budget to include \$192,000 to be used for various Parking Infrastructure Improvements in the Redevelopment Project Area; and
- D. That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving the Budget of the Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010.

Documents:

- June 23, 2009, report from the Community Development Director/Agency Deputy Director.
- Proposed Resolutions.
- Proposed Parking Operations Agreement.
- PowerPoint presentation prepared and made by Staff.

The titles of the resolutions were read.

Speakers:

Staff: Finance Director/Fiscal Officer Robert Peirson, City Administrator/
Executive Director James Armstrong.

Motion:

Council/Agency members House/Falcone to approve the recommendations; City Council Resolution Nos. 09-048 and 09-049 and Agreement No. 23,134; Redevelopment Agency Resolution No. 1015 and Agreement No. 517.

Vote:

Unanimous roll call vote.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers

FROM: Business Division, Waterfront Department

SUBJECT: Introduction Of Ordinance For Seven-Year License Agreement With Web Laundry Service Company, L.L.C.

RECOMMENDATION: That Council approve a license with Web Service Company, L.L.C., and introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving a Seven-Year License Agreement with Web Service Company, L.L.C., Effective August 29, 2009, for a 156 Square-Foot Laundry Room at 307 Shoreline Drive.

DISCUSSION:

The 10-year lease for the harbor laundry room concession, located at Marina 4, expired in November 2008. Due to numerous complaints from marina users, the operator was formally notified in May 2008 that the lease would not be renewed.

A Request for Proposal (RFP) for the harbor laundry room was issued on July 23, 2008. Although the Department received 15 inquiries about the laundry concession, only two proposals were submitted. Unfortunately, neither respondent had sufficient experience in operating commercial laundry facilities to give staff assurance that they would be an improvement over the previous operator.

Both proposals were rejected and another RFP was issued in November 2008. One response was received from Web Service Company (Web), a nation-wide commercial laundry operator.

Web has laundry rooms in 30,000 locations throughout California, Nevada and Hawaii. Locally, Web provides laundry service for UCSB, Cal Poly, condominiums and apartments as well as the laundry room in Ventura West Marina. Web has been in business since 1947 and is considered a leader in the laundry industry.

Web will install and maintain six energy and water efficient front-loading washers and six dryers. The cost of a wash will be \$1.75 per cycle and the dryers will be \$0.75 per cycle.

The Department will provide utilities, daily janitorial service (via Work, Inc.), and an on-demand gas water heater with a new solar-thermal unit on the roof. To help prevent vandalism and loitering, the room will be accessible only to marina key card holders and

will not be open to the general public, as it was with the previous operator. The basic terms of the proposed license are as follows:

- **Term:** Seven years
- **Base Rent:** N/A
- **Percentage Payment:** Web to pay 90% of gross receipts in excess of \$374 per month
- **Equipment:** Six front-loading Maytag washers and six Maytag dryers, Energy Star rated
- **Lessee obligations:** Licensee shall undertake repairs within 48 hours of notice of non-operability. If machine cannot be repaired, machine shall be replaced within 10 days of notice of non-operability. If Licensee fails to repair or replace the inoperable machine, the Department may do so at Licensee's expense, after reasonable notice.

Rent Expectations

Sales records indicate the laundry room generated an average of \$19,500 per year in gross sales from eight machines. Under the proposed lease, the Department expects to receive approximately \$15,012 in percentage rent annually and pay approximately \$4,600 for utilities annually. It is anticipated that the laundry room could generate more revenue with more machines (12 vs. 8) and that the new front-loading washers will use less water and natural gas.

Staff recommends using Web Service Company to provide and maintain the laundry machines in coordination with the Department providing daily janitorial service and inspection. The coordinated approach is less expensive than the alternative of the Department purchasing the laundry equipment and operating the laundry room directly. This approach will also give the Department greater control over the condition of the facility than the alternative of renting the laundry room as a concession to a private operator. The coordinated alternative is expected to resolve most of the issues experienced with the previous operator.

The Harbor Commission recommended approval of the license agreement with Web Service Company at the May 21, 2009, meeting.

ATTACHMENT: Site Plan

PREPARED BY: Scott Riedman, Waterfront Business Manager

SUBMITTED BY: John N. Bridley, Waterfront Director

APPROVED BY: City Administrator's Office

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING A SEVEN-YEAR LICENSE AGREEMENT WITH WEB SERVICE COMPANY, L.L.C., EFFECTIVE AUGUST 29, 2009, FOR A 156 SQUARE-FOOT LAUNDRY ROOM AT 307 SHORELINE DRIVE.

THE COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

SECTION 1. In accordance with the provisions of Section 521 of the Charter of the City of Santa Barbara, An Ordinance of the Council of the City of Santa Barbara Approving a Seven-Year License Agreement with Web Service Company, L.L.C., Effective August 29, 2009, for a 156 Square-Foot Laundry Room at 307 Shoreline Drive, is hereby approved.

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA AMENDING TITLE 22 OF THE SANTA BARBARA MUNICIPAL CODE TO ADD CHAPTER 22.09 ESTABLISHING A BUILDING SAFETY ASSESSMENT PLACARD SYSTEM

WHEREAS, the Building & Safety Division is responsible for determining the safety of buildings and structures within the City and informing the public of the condition of inspected buildings and structures;

WHEREAS, a standardized system of safety assessment placards has been established and is in use throughout the State of California; and

WHEREAS, the City of Santa Barbara is part of a network of jurisdictions with “Mutual Aid” agreements for Building Inspectors; and

WHEREAS, the establishment of a standardized system of building safety assessment placards is necessary to clearly, consistently, and effectively inform the public of the condition of inspected buildings and the conditions under which inspected buildings and structures may be entered and occupied.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

SECTION 1. Title 22 of the Santa Barbara Municipal Code is amended to add Chapter 22.09 to read as follows:

22.09.010 Building Safety Assessment Placard System.

The City of Santa Barbara hereby establishes a building safety assessment placard system for the purpose of notifying the public of the condition of inspected buildings and structures and to inform the public of any conditions or limitations placed on the entry into or continued occupancy of inspected buildings or structures. The Chief Building Official shall administer the building safety assessment placard system. The provisions of this Chapter are applicable to all buildings and structures regulated by the City of Santa Barbara.

22.09.020 Definitions.

For purposes of this Chapter, the following terms and phrases are defined as follows:

A. **BUILDING AND SAFETY DIVISION.** The Building and Safety Division of the Community Development Department of the City of Santa Barbara.

B. **CHIEF BUILDING OFFICIAL.** The Chief Building Official of the City of Santa Barbara or his or her authorized representative.

C. **PLACARD.** A form established by the Chief Building Official that announces the condition of a building or structure and informs persons of any applicable conditions or limitations on the entry into or continued occupancy of the building or structure.

D. **SAFETY ASSESSMENT.** A visual, non-destructive examination of a building or structure for the purpose of determining the condition of the building or structure and establishing appropriate conditions or limitations on the entry into or continued occupancy of the building or structure.

22.09.030 Placards.

The Chief Building Official shall develop and maintain building safety assessment placard forms. Each placard form shall include a reference to this Chapter, the City Seal, and the address and phone number of the Building and Safety Division.

22.09.040 Standards.

Subject to the discretion of the Chief Building Official to respond to individual circumstances, the building safety assessment placards should fall within the following general categories and should be used in the following circumstances:

A. **INSPECTED – LAWFUL OCCUPANCY PERMITTED.** This placard is posted on a building or structure when the Chief Building Official has determined, following a safety assessment, the building or structure has no apparent structural hazards. This placard does not necessarily mean that there is no damage to the building or structure.

B. **RESTRICTED USE.** This placard is posted on a building or structure when the Chief Building Official has determined, following a safety assessment, the building or structure is damaged and entry into or continued occupancy of the building or structure must be conditioned or limited in order to protect the safety of the public and the occupants. The placard will note in general terms the type of damage observed during the safety assessment and will specify the conditions or limitations on entry into or continued occupancy of the building or structure.

C. UNSAFE – DO NOT ENTER OR OCCUPY. This placard is posted on a building or structure when the Chief Building Official has determined, following a safety assessment, the building or structure has been damaged to such a degree that entry into or continued occupancy of the building or structure poses a threat to life and safety. Buildings or structures posted with this placard shall not be entered under any circumstance, except as authorized in writing by the Chief Building Official. Safety assessment teams working under the authority of the Chief Building Official are authorized to enter these buildings or structures at any time. The placard will note in general terms the type of damage observed during the safety assessment. This placard is a not demolition order. If the Chief Building Official determines a building or structure must be demolished in order to protect public safety, a separate demolition order shall be issued.

22.09.050 Posting of Placards.

A. LAWFUL OCCUPANCY PERMITTED. Upon completion of a safety assessment during which the Chief Building Official determines that the building or structure has no apparent structural hazard, the Chief Building Official may post an INSPECTED – LAWFUL OCCUPANCY PERMITTED placard at each entry point into the building or structure.

B. RESTRICTED OR UNSAFE. Upon completion of a safety assessment during which the Chief Building Official determines the building or structure has been damaged to a degree that public safety requires restrictions on, or prohibitions against, the entry into or continued occupancy of the building or structure, the Chief Building Official shall post the appropriate placard from the categories specified in subsections B or C of Section 22.09.040 at each entry point into the building or structure. Once a placard is attached to, or posted at, a building or structure, the placard shall not be removed, altered, or covered except by, or at the direction of, the Chief Building Official.

22.09.060 Unlawful to Alter or Remove Placard.

It shall be unlawful for any person to alter, remove, cover, or deface a placard except as authorized by the Chief Building Official.

22.09.070 Unlawful to Violate Placard Conditions.

A. It shall be unlawful for any person to enter or continue to occupy any building or structure in violation of any condition or limitation specified on any placard affixed to, or posted at, a building or structure pursuant to this Chapter.

B. It shall be unlawful for any person to knowingly enter or continue to occupy any building or structure in violation of any condition or limitation placed on such entry or occupancy by the Chief Building Official, whether or not a placard remains affixed to, or posted at, the building or structure.

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING A GRANT OF EASEMENT TO SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT FOR THE LOWER MISSION CREEK PROJECT

THE COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

SECTION 1. That the Grant of Easement to The County of Santa Barbara Water Conservation District, a political subdivision of the State of California, for the purposes of construction, access and maintenance of flood control improvements located on a portion of City owned property known as Moreton Bay Fig Tree Park (APN 033-042-018) is approved pursuant to the City Charter and the City Administrator is authorized to execute the same.

SECTION 2. That upon the effective date of the ordinance, the City Clerk is authorized to record said Easement in the Official Records, in the Office of the County Recorder, Santa Barbara County.



Agenda Item No. _____

File Code No. 260.01

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Statement Of Investment Policy And Delegation Of Investment Authority For Fiscal Year 2010

RECOMMENDATION: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Adopting the Investment Policy for the City and Rescinding Resolution No. 08-068; and
- B. Authorize the City Administrator/City Clerk/City Treasurer to invest or reinvest funds, or to sell or exchange securities so purchased for the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010.

DISCUSSION:

The Government Code of the State of California no longer requires local agencies to submit to the State an annual statement of investment policy. The State Code specifies permitted investments for local governments, but the City's Statement of Investment Policy defines the suitable and authorized investments for the City. In some cases, the City's policy is more restrictive than State Code; additionally, the policy serves as a guide for setting and achieving program objectives and defines guidelines for the management of the portfolio. Therefore, staff strongly recommends that Finance Committee review and approve, and Council adopt, the investment policy on an annual basis.

Except for County governments, the State Code does not contain any provisions specifying what must be included in the investment policy of a local agency. The City has developed a comprehensive investment policy that includes all critical components recommended by various professional agencies and organizations, and the policy has been awarded several certifications. Therefore, staff recommends that the policy be updated annually to incorporate any statutory and/or internal policy changes, thereby maintaining this standard of excellence. If a local agency's policy is submitted to the legislative body, it must be an agenda item at a public meeting and should be approved by a vote of the legislative body no later than the end of the first quarter of the year to which it applies.

There are two staff recommended changes to the policy, neither of which will affect the investment activity of the City. The policy revisions are generally technical in nature, i.e. process changes or language clarifications. Over the past year, there have been no State statutory changes requiring changes to the City's policy.

Staff Recommended Changes

1. *Page 5, Section VII.A.1., Investment Types.* This section has been changed for clarification from: "Bonds issued by the City, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the local agency" to: "Bonds, notes, or other forms of indebtedness issued by the City, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the City", in order to include other debt instruments allowable under existing State law in Government Code section 53601 governing investments.
2. *Page 5, Section VII.A.4., Investment Types.* This section has been changed for clarification from: "Notes eligible for investment shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations" to: "Notes eligible for investment, other than those issued by the City or operated by a department, board, agency, or authority of the City, shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations, in order to include other debt instruments allowable under existing State law in Government Code section 53601 governing investments.

In addition to the proposed changes to the policy, as described in this report, there is sufficiently broad language in the policy to allow for any changes that may occur during the year to be accommodated on an administrative basis rather than a formal revision to the policy. For example, Section VII in the policy states: "If the Government Code is amended to allow additional investments or is changed regarding the limits on certain categories of investments, staff is authorized to conform to the changes in the revised Government Code, provided the changes are not specifically prohibited by City policy. Staff shall present those changes to the City Council in the annual review of the policy and make recommendations to the City Council to incorporate the new legislation within the policy." And, Section IX, Subsection D2, refers to the City's conformance with any Government Accounting Standards Board (GASB) pronouncements rather than citing a specific ruling currently in effect, which may be updated in the future. If there are any changes throughout the year to the investment program, staff will, of course, bring these items to the attention of Finance Committee.

By separate action, Council formally delegates the authority to invest or reinvest funds or to sell or exchange securities to the City Treasurer for a one-year period, as specified on page 3 of the Investment Policy. Management and oversight of the investment program is delegated to the Finance Director. The Treasury Manager is authorized to conduct daily investment activities under supervision of the Finance Director. All investment purchases and sales require signature approval from the City Administrator,

Finance Director or the Assistant Finance Director by the close of business on the next business day following the purchase or sale.

On July 14, 2009, the Finance Committee reviewed the proposed Investment Policy for Fiscal Year 2010 and recommended that Council adopt the policy as proposed.

PREPARED BY: Jill Taura, Treasury Manager

SUBMITTED BY: Robert D. Peirson, Finance Director

APPROVED BY: City Administrator's Office

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF
SANTA BARBARA ADOPTING THE INVESTMENT POLICY
FOR THE CITY AND RESCINDING RESOLUTION NO.
08-068

WHEREAS, the City Council adopted Resolution Nos. 85-065 and 85-121, establishing a policy regarding the investment of City funds;

WHEREAS, the Council last reaffirmed the policy by adopting Resolution No. 08-068;
and

WHEREAS, the City of Santa Barbara has consistently maintained a policy of due diligence and the minimizing of risk in the investment of City funds.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS:

SECTION 1. The attached Exhibit, City of Santa Barbara Statement of Investment Policy, is hereby adopted and made a part of this resolution.

SECTION 2. Resolution No. 08-068 is hereby rescinded.



**City of Santa Barbara
Finance Department**

Statement of Investment Policy

Fiscal Year 2010

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I. MISSION STATEMENT

It is the policy of the City to invest public funds in a manner that will provide maximum security, adequate liquidity and sufficient yield, while meeting the daily cash flow demands of the City and conforming to all statutes and regulations governing the investment of public funds.

II. SCOPE

This investment policy applies to all the financial assets of City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara. These funds are accounted for in the City's audited Comprehensive Annual Financial Report. If the City invests funds on behalf of another agency and, if that agency does not have its own policy, the City's investment policy shall govern the agency's investments.

A. Pooling of Funds

Except for cash in certain restricted and special funds, the City shall consolidate cash balances from all funds to maximize investment earnings. Investment income shall be allocated to various funds as identified in the investment procedures manual in accordance with generally accepted accounting principles.

B. Funds Included by this Policy

General Fund
Special Revenue Funds
Capital Project Funds
Enterprise Funds
Internal Service Funds
Trust and Agency Funds
Any new fund created by City Council unless specifically exempted

C. Funds Excluded from this Policy

1. City's Service Retirement System Fund. This fund is managed separately under Article XVA of the 1926 Charter.
2. Bond Proceeds. Investment of bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this policy. Bond investment conditions and restrictions shall be reviewed by the Finance Committee and forwarded to City Council for approval.

III. GENERAL OBJECTIVES

The primary objectives, in priority order, of the City's investment activities are safety, liquidity and yield.

A. Safety

Preservation of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to mitigate credit risk and interest rate risk. To attain this objective, the City shall diversify its investments by investing funds among several financial institutions and a variety of securities offering independent returns.

1. Credit Risk

- The City shall minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
- Limiting investments to the safest types of securities

- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business
- Diversifying the investment portfolio so as to minimize the impact any one industry/investment class can have on the portfolio

2. Interest Rate Risk

To minimize the negative impact of material changes in the market value of securities in the portfolio, the City shall:

- Structure the investment portfolio so that securities mature concurrent with cash needs to meet anticipated demands, thereby avoiding the need to sell securities on the open market prior to maturity
- Invest operating funds primarily in shorter-term securities, money market mutual funds, and the State of California's Local Agency Investment Fund (LAIF)

B. Liquidity

The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated without requiring a sale of securities. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or LAIF which offer same-day liquidity for short-term funds.

C. Yield (Return on Investment)

The City's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the liquidity characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

IV. STANDARDS OF CARE

A. Prudence

The standard of prudence to be used by City investment officials shall be the "Prudent Investor Standard" in that a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the City, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of an enterprise of a like character and with like aims. This standard shall be applied in the context of managing the overall portfolio. City investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

B. Ethics and Conflicts of Interest

Officers and employees involved in the City investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. City employees and investment officials shall disclose any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall

further disclose any personal financial/investment positions that could be related to the performance of the City immediately to the City of Santa Barbara Treasurer and annually to the Fair Political Practices Commission. City employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

C. Delegation of Authority

Authority to manage the City's investment program is derived from the Charter of the City of Santa Barbara. City Council shall delegate to the Treasurer, for a one-year period, the authority to invest or to reinvest funds, or to sell or exchange securities. The Treasurer shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires.

Management responsibility for the investment program is delegated to the Finance Director who shall establish a separate written investment procedures manual. The operation of the investment program shall be consistent with this policy and the investment procedures manual. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Treasury Manager is authorized to conduct investment related activities, under the supervision of the Director of Finance, on behalf of the City and the Redevelopment Agency. All investment purchases and sales require signature approval from the Finance Director or the Assistant Finance Director, by the close of business on the next business day following the purchase or sale.

The following documents are by reference incorporated in the investment procedures manual:

1. Listing of authorized personnel
2. Relevant investment statutes and ordinances
3. Repurchase agreements and tri-party agreements
4. Listing of authorized broker/dealers and financial institutions
5. Credit ratings and/or reports for securities purchased and financial institutions used
6. Safekeeping agreements
7. Sample investment reports
8. Investment accounting documents
9. Methodology for calculating rate of return
10. Banking services contracts
11. Cash flow forecasting
12. Collateral/depository agreements

D. Internal Controls

The Finance Director is responsible for establishing and maintaining a system of written internal controls. These controls shall be reviewed annually with an independent external auditor who will notify the City Council if there is a material non-compliance with its policies and procedures. The internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent action by City employees and officers. The internal structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

1. Control of collusion
2. Separation of transaction authority from accounting and record-keeping
3. Custodial safekeeping
4. Delivery versus payment (DVP)
5. Clear delegation of authority to subordinate staff members
6. Written confirmation of transactions for investments and wire transfers
7. Wire transfer agreements

V. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Finance Director shall establish selection criteria for pre-approval of financial institutions and security broker/dealers to do business with the City of Santa Barbara. The Finance Director shall maintain a list of City approved financial institutions and security broker/dealers who are authorized to provide investment services to the City. These may include primary dealers, or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). To qualify for consideration, a financial institution or a security broker/dealer must also have an office in California, and that office must perform the transactions with the City.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following to the Finance Director as appropriate:

- Current audited financial statements
- Proof of Financial Industry Regulatory Authority (FINRA), formerly National Association of Security Dealers (NASD), certification
- Trading resolution
- Complete broker/dealer questionnaire
- Proof of State of California registration
- For banking institutions, a statement of compliance with the Federal Reserve Bank of New York's capital guideline
- Statement of having read, understood and agreeing to comply with the City's investment policy and depository contracts

The Finance Director shall annually review each of the approved financial institutions and security broker/dealers selected for current State of California registrations and financial condition.

VI. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis which will ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities shall be held by a third-party custodian designated by the Finance Director and evidenced by safekeeping receipts with a written custodial agreement. The only exception to the foregoing shall be depository accounts and securities purchases made with: LAIF, time certificates of deposit and money market mutual funds, since the purchased securities are not deliverable. Settlement instructions sent to the safekeeping agent shall require dual authorization. The Treasurer and the Finance Director shall be bonded to protect the public against possible embezzlement and malfeasance. Safekeeping procedures shall be reviewed annually by an independent external auditor and any irregularities noted should be reported promptly to the Treasurer and City Council.

VII. SUITABLE AND AUTHORIZED INVESTMENTS

The City shall be governed by the California Government Code, Sections 53600 et seq. If the Code is amended to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to the changes in the revised Code, provided that the changes are not specifically prohibited by the City's policy. The City shall be required to present those changes in the annual review of the policy and to incorporate the new legislation within the policy. Surplus funds are defined as funds not required for the immediate necessities of the City and include investments in individually managed portfolio(s), money market fund(s) and/or State LAIF, and all portfolio limitations and restrictions shall apply to this aggregate amount. For purposes of compliance with the California Government Code and the City's Investment Policy, the credit rating requirement for medium-term notes, deposit notes, bank notes and commercial paper shall be based on the quality ratings at the time of purchase. If the quality rating of the issuer is downgraded, subsequent to purchase, by any of the Nationally Recognized Statistical-Rating Organizations below "A", or its equivalent, it shall be reported to the Finance Committee and City Council with a recommendation, and ongoing information shall be provided if the bond is not sold. Percentage limitations of surplus funds invested are noted for the various investment instruments. Where there is a specified percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase. A later increase or decrease in a percentage resulting from a change in values or assets shall not constitute a violation of that restriction.

The City is empowered by statute to invest in the following types of securities and are those that the investment managers are trained and competent to handle.

A. Investment Types

1. Bonds, notes, or other forms of indebtedness issued by the City, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the City or by a department, board, agency, or authority of the local agency.
2. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
3. Federal Agency or United States government-sponsored enterprise obligations (GSE), participations, or other instruments.
4. State of California and Local Agency Obligations. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state; and bonds, notes, warrants, or other evidence of indebtedness of any local agency within this state including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Notes eligible for investment, other than those issued by the City or operated by a department, board, agency, or authority of the local agency, shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.
5. Medium-Term Notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases of medium-term notes may not exceed thirty percent of the City's surplus funds. Notes eligible for investment shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating

Organizations. Investments in medium-term notes for any one non-government issuer shall be limited to no more than five percent of surplus funds for issuers rated "AA" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations, and to no more than three percent for issuers rated "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.

6. Bankers Acceptances otherwise known as bills of exchange or time drafts, drawn on and accepted by a commercial bank, which are eligible for purchase by the Federal Reserve System. Purchased bankers acceptances may not exceed one hundred and eighty days maturity or forty percent of the City's surplus funds, and no more than ten percent of the City's surplus funds may be invested in the banker's acceptances of any one commercial bank.
7. Commercial Paper of "prime" quality of the highest ranking or the highest letter and number rating as provided for by a Nationally Recognized Statistical-Rating Organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
 - a. The entity is organized and operating in the United States as a general corporation and has total assets in excess of five hundred million dollars (\$500,000,000). In addition, its debt other than commercial paper, if any, must be rated "A" or higher by a Nationally Recognized Statistical-Rating Organization.
 - b. The entity is organized within the United States as a special purpose corporation, trust, or limited liability company and has a program wide credit enhancement including, but not limited to, over collateralization, letters of credit, or surety bond. In addition, the entity has commercial paper that is rated "A-1" or higher, or the equivalent, by a Nationally Recognized Statistical-Rating Organization.

Eligible commercial paper shall have a maximum maturity of two hundred and seventy days or less. The City may not invest more than twenty five percent of its surplus funds in commercial paper, and the City may purchase no more than ten percent of the outstanding eligible commercial paper of any single issuer.

8. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or savings association or federal association or a state or federal credit union or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed fifteen percent of the City's surplus money invested and shall be limited to no more than three percent of any one issuer. Deposit notes and bank notes purchased through a broker or dealer shall be included with negotiable certificates of deposit in calculating allowable maximum percentages. Negotiable certificates of deposit, deposit notes and bank notes shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical-Rating Organizations.
9. Time Deposits. The City may invest in non-negotiable Certificates of Deposit at commercial banks and savings and loan associations that are collateralized in accordance with the California Government Code. To be eligible to receive City funds, the depository institution shall have received an overall rating of not less than "satisfactory" in its most recent evaluation of its record of meeting the credit needs of California's communities, including low and moderate-income neighborhoods. In selecting depositories, the credit worthiness of institutions shall be considered. Banks and Savings and Loan Associations seeking to establish an investment relationship with the City shall submit an audited financial report that shall be reviewed for compliance with the City's investment standards. Any institution not providing an audited annual financial report shall

be removed from the approved list and all funds maturing will be withdrawn. A list of eligible institutions shall be maintained in the investment procedures manual. Qualification shall be determined by the following criteria:

- a. Tangible capital must equal or exceed one and a half percent; core capital must equal or exceed three percent; and, risk-based capital must equal eight percent of assets adjusted for assigned risk-weightings.
 - b. Return on Assets of a minimum of a half of one percent; a Return on Equity of a minimum of eight percent; an Equity to Assets Ratio of a minimum of five percent; and, City investments shall be no greater than a half of one percent of the total assets of the depository.
 - c. Independent auditor's statement must have a clean opinion.
10. Savings accounts. Savings accounts when used in conjunction with the City's checking accounts at a qualified bank where funds are collateralized in accordance with the California Government Code.
11. U. S. Government money market funds registered with the Securities and Exchange Commission and which comply with rule 2a7 of the Investment Company Act of 1940. The fund must be comprised of only U.S. Treasury bills, notes and bonds, repurchase agreements and obligations issued or guaranteed as to principal and interest by the U. S. Government or its agencies or instrumentalities. The percentage of repurchase agreements in the fund shall be reviewed and approved based on the fund's policy limits. The dollar weighted average maturity of the portfolio shall be less than ninety days and the portfolio is managed to maintain a one dollar (\$1.00) share price. Also, the fund shall meet either of the following criteria: (a) attained the highest ranking or the highest letter and numerical rating provided by not less than two Nationally Recognized Statistical-Rating Organizations; (b) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). Purchase of securities authorized by this section shall not exceed twenty percent of the City's surplus money invested and no more than ten percent may be invested in any one money market fund.
12. Repurchase Agreements. Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by the Code, so long as the proceeds of the repurchase agreement are invested solely to supplement the income normally received from these securities. The City shall adopt as a standard the Bond Market Association Master Repurchase Agreement and shall maintain a list of approved counterparts and limit counter parties to primary dealers rated "A" or better by two Nationally Recognized Statistical-Rating Organizations. Reverse repurchase agreements and securities lending agreements shall require City Council authorization separate from City Council approval of this policy. Securities lending agreements shall include the following safeguard measures: terms of lending agreements, indemnification provisions, reinvestment guidelines, liquidity provisions, credit risks and monitoring requirements. Additionally, any securities lending agreement shall be reviewed by the City Attorney to ensure the City's interests are properly protected.
- a. Investments in repurchase agreements may be made, on any authorized investment, when the term of the agreement does not exceed one year.
 - b. Reverse repurchase agreements or securities lending agreements may be utilized when the security to be sold on the reverse repurchase

agreement or securities lending agreement has been owned and fully paid for by the City for a minimum of thirty days prior to sale; the total of all reverse repurchase agreements on investments owned by the City does not exceed twenty percent of the base value of the portfolio; and the agreement does not exceed a term of ninety two days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

13. Local Agency Investment Fund (LAIF). The City may invest in LAIF, established by the California State Treasurer, up to the forty million dollar maximum permitted by State law, effective January 1, 2002; therefore, there is a forty million dollar limit for the City of Santa Barbara and a forty million dollar limit for the City of Santa Barbara Redevelopment Agency. The City's investment in LAIF is based on, among other criteria, the following information provided by LAIF: a written statement of portfolio management goals, objectives and policies, including a description of eligible investment securities; a disclosure of LAIF's safekeeping practices; eligible LAIF participants, the monthly transaction limit, and minimum and maximum deposit and withdrawal amounts permitted; calculation of quarterly earnings and apportionment, including gains and losses; disclosure of administrative costs and the assessment process; monthly statements of the City's transaction activity and balances; monthly summaries of LAIF investment data, including market valuation and accrued interest; and a description of the audit process. At least quarterly, the Finance Director shall report to the Finance Committee on the composition of the LAIF portfolio.

The California Government Code states that moneys placed for deposit in LAIF are in trust in the custody of the State Treasurer and cannot be borrowed or be withheld from the City. Further, the right of the City to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or agency based upon the State's failure to adopt a budget by July 1 of each new fiscal year.

B. Collateralization

Collateralization shall be required on two types of investments: certificates of deposit and repurchase (and reverse) agreements. A collateral agreement must be current and on file before any funds can be transferred for collateralized certificates of deposit. Collateral shall be held by an independent third party with whom the City has a current written custodial agreement. A clearly marked evidence of ownership (*safekeeping receipt*) must be supplied to the City and retained. The right of collateral substitution is granted.

1. Certificates of Deposit
 - a. Government Securities used as collateral require one hundred and two percent of market value to the face amount of the deposit
 - b. Promissory Notes secured by first trust deeds used as collateral require one hundred and fifty percent of market value to the face amount of the deposit
 - c. Irrevocable Letters of Credit issued by the Federal Home Loan Bank of San Francisco require one hundred and five percent of market value to the face amount of the deposit
2. Repurchase and Reverse Repurchase Agreements
 - a. Only U.S. Treasury securities or Federal Agency securities are acceptable collateral. All securities underlying repurchase

agreements must be delivered to the City's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed one hundred and two per cent of the total dollar value of the money invested by the City for the term of the investment. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an ongoing basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.

- b. The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to the repurchase agreement.

C. Investments Not Approved

Any security type or structure not specifically approved by this policy is hereby prohibited. Security types, which are thereby prohibited include, but are not limited to: investment pools (except State LAIF), shares of beneficial interest issued by diversified management companies (except U. S. Government money market funds), collateralized mortgage obligations (CMO's), mortgage pass-through securities, reverse repurchase agreements used as a leveraging vehicle, "exotic" derivatives structures such as range notes, dual index notes, inverse floating-rate notes, leveraged or de-leveraged floating-rate notes, interest-only strips that are derived from a pool of mortgages and any security that could result in zero interest accrual if held to maturity, or any other complex variable or structured note with an unusually high degree of volatility or risk.

D. Exceptions to Prohibited and Restricted Investments

The City shall not be required to sell securities prohibited or restricted in this policy, or any future policies, or prohibited or restricted by new State regulations, if purchased prior to their prohibition and/or restriction. Insofar as these securities provide no notable credit risk to the City, holding of these securities until maturity is approved. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

VIII. INVESTING PARAMETERS

A. Diversification

The City shall diversify its investments by security type, issuer, maturity, and financial institutions. No percentage limitations are established for United States government, United States government agencies and United States government sponsored enterprises; however percentage limitations are established for other permitted investments, as noted in Section VII of this policy. The investments shall be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities), limiting investment in securities that have higher credit risks, and investing in securities with varying maturities.

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. Investment managers are expected to display prudence in the selection of securities as a way to minimize default risk. No individual investment transaction shall be undertaken which

jeopardizes the total capital position of the overall portfolio. To control market price risks, volatile investment instruments shall be avoided. To control risks of illiquidity, a minimum of ten percent of the total portfolio shall be held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund and/or Money Market Funds and/or securities maturing within ninety days.

B. Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Where there is no specified maturity limitation on an investment, no investment shall be made in any security, which, at the time of the investment, has a term remaining to maturity in excess of five years, unless the City Council has granted express authority to make that investment no less than three months prior to the investment.

In addition to the five year limitation on investments specified in this policy, the average maturity of the City's combined portfolio shall not exceed two and a half years without prior approval of the City Council.

IX. REPORTING

The Treasurer shall submit investment reports to the City Council that provide a clear picture of the status of the current investment portfolio and shall contain sufficient information to permit an independent organization to evaluate the performance of the investment program. Based on the discretion of Finance Committee, an independent advisor may be contracted, from time to time to perform one or more of the following functions: confirm that the portfolio is in compliance with the Government Code of the State of California and with the Statement of Investment Policy of the City of Santa Barbara; present an evaluation of the portfolio and investment strategy recommendations; and, provide any other information that may be helpful to Finance Committee in their review of the portfolio.

A. Monthly Reporting to City Council

The Treasurer shall submit to City Council, within thirty days following the end of the month, an investment report that summarizes all securities in the portfolio and a separate listing of investment transactions occurring during the month. The report shall be prepared by the Treasury Manager and approved by the Finance Director. The report shall include:

1. Investment type
2. Purchase date
3. Maturity date
4. Credit quality
5. Coupon and yield
6. Book value
7. Market value
8. Book gain/loss
9. Market gain/loss
10. Source of valuation
11. Average days to maturity
12. Variable rate(s) or call features

B. Quarterly Reporting to City Council

In addition to the components required in the monthly investment report, a narrative shall accompany the portfolio report addressing noteworthy items, deviations from the investment policy, comments on the fixed income markets and economic conditions, possible changes in the portfolio going forward, and thoughts on

investment strategies. The quarterly report shall also include a statement of compliance with the investment policy and a statement of the ability to meet expenditures for the next six months (or an explanation as to why sufficient money shall, or may, not be available).

C. Performance Standards

The investment portfolio shall be managed in accordance with the parameters specified within this policy and always with consistently safe and prudent treasury management. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit sold early to minimize loss of principal
- A security swap that would improve the quality, yield, or target duration in the portfolio
- Unforeseen liquidity needs of the portfolio require that the security be sold

1. Market Yield (Benchmark)

The City's overall investment strategy is passive: investments are generally held to maturity. The quarter-to-date LAIF apportionment rate, the three-month U.S. Treasury Bill and the two-year U.S. Treasury Note shall also be considered useful benchmarks of the City's portfolio performance.

2. Marking to Market

The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed. In defining market value, consideration shall be given to pronouncements from the Government Accounting Standards Board (GASB) that address the reporting of investment assets and investment income for all investment portfolios held by governmental entities. The fair value of all securities reported in the City's portfolio is based on currently quoted market prices.

X. INVESTMENT POLICY COMPLIANCE AND ADOPTION

A. Policy Compliance and Changes

Any deviation from the policy shall be reported to Finance Committee at the next scheduled meeting and to City Council as part of the monthly review of the portfolio. The Treasurer shall promptly notify Finance Committee and City Council of any material change in the policy and any modifications to the policy must be approved by Finance Committee and City Council.

B. Annual Statement of Investment Policy

The Treasurer shall render a written Statement of Investment Policy that shall be reviewed at least annually by Finance Committee and City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends. City Council shall consider the annual Statement of Investment Policy and any changes therein at a public meeting. The Statement of Investment Policy shall be adopted by resolution of City Council.

APPENDIX 1 GLOSSARY OF INVESTMENT TERMS

AGENCY: A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government (i.e. Government National Mortgage Association). Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee (i.e. Federal National Mortgage Association).

ASKED: The price at which securities are offered for sale; also known as offering price.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you *ask* for a bid.)

BOND PROCEEDS: The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

BOOK VALUE: The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.

BROKER: Someone who brings buyers and sellers together and is compensated for his/her service.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual financial report for a public agency. It includes five combined statements for each individual fund combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and detailed statistical section.

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by a Nationally Recognized Statistical-Rating Organization.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

CURRENT YIELD (CURRENT RETURN): A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, by buying and selling for his/her own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DIVERSIFICATION: Dividing investment funds among a variety of security types by sector, maturity and quality ratings offering independent returns.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FAIR VALUE: The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL CREDIT AGENCIES: Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small-business firms, students, farmers, farm co-operatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits currently up to \$100,000 per deposit.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) that lend funds and provide correspondent banks services to member commercial banks, thrift institutions, credit unions and insurance companies.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve Regional Banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GSAB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA, or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

GOVERNMENT SECURITIES: An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

INTEREST RATE RISK: The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

INTERNAL CONTROLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

- **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
- **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.

- **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
- **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
- **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
- **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): Chapter 730, Statutes of 1976 of the State of California, established the Local Agency Investment Fund. This fund enables local governmental agencies to remit money not required for immediate needs to the State Treasurer for the purpose of investment. In order to derive the maximum rate of return possible, the State Treasurer has elected to invest these monies with State monies as a part of the Pooled Money Investment Account. Each local governmental unit has the exclusive determination of the length of time its money will be on deposit with the State Treasurer. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, the State's costs of administering the program are deducted from the earnings.

MARK-TO-MARKET: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

MARKET RISK: The risk that the value of a security will raise or decline as a result of changes in market conditions.

MARKET VALUE: The current price at which a security is trading and could presumably be purchased or sold at that particular point in time.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of a financial obligation is due and payable.

MONEY MARKET MUTUAL FUND: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

MUTUAL FUND: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by Securities and Exchange Commission (SEC) disclosure guidelines.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD): A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

NATIONALLY RECOGNIZED STATISTICAL-RATING ORGANIZATION (NRSRO): Standard and Poor's, Moody's, and Fitch Financial Services are examples of such organizations.

OFFER: An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PORTFOLIO: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker/dealers, banks and a few unregulated firms.

PRINCIPAL: (1) The face amount or par value of a debt instrument. (2) One who acts as a dealer buying and selling for his own account.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REINVESTMENT RISK: The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

REVERSE REPURCHASE AGREEMENT: An agreement of one party (for example, a financial institution) to purchase securities at a specified price from a second party (such as a public agency) and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specific date.

RISK: Degree of uncertainty of return on an asset.

RULE 2A-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

SAFEKEEPING SERVICE: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vault for protection and security.

SECONDARY MARKET: A market is made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES LENDING: An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises, (FLAB, FNMA, SLMA, etc.), and Corporations that have imbedded options, (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns), into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

SWAP: Trading one asset for another.

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio.

TREASURY BILLS: Short-term U.S. government non-interest bearing discounted debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

TREASURY BOND: A long-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of more than 10 years and issued in minimum denominations of \$1,000.

TREASURY NOTE: A medium-term coupon-bearing U.S. Treasury security issued as a direct obligation of the U.S. Government and having an initial maturity of from one to ten years and issued in denominations ranging from \$1,000 to \$1 million or more.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission (SEC) Rule 15C3-1 outlining requirements that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

YIELD: The current rate of return on an investment security generally expressed as a percentage of the security's current price. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009
TO: Mayor and Councilmembers
FROM: Administration Division, Finance Department
SUBJECT: Proposed Minor Amendments To City Fee Resolution

RECOMMENDATION:

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Amending Resolution No. 09-043 to Clarify Consent Review Fees for Design Review, Adjust Residential Parking Permit Fees in the Downtown Parking Program, and Add a Convenience Fee for On-Line Payment of Police Department Charges.

DISCUSSION:

On June 23, 2009, in conjunction with the adoption of the Fiscal Year 2010 budget, Council adopted the City fee resolution for Fiscal Year 2010, establishing citywide penalties, fees, and service charges. The following are recommended technical adjustments to that resolution. The changes below were inadvertently omitted from the Fiscal Year 2010 City Fee resolution, but were included in the Finance Committee's review of departmental fees and/or the departmental budget presentations to the Council.

Planning - Consent Review Fee

The Community Development Department Planning Division offers a consent review process for those applicants with smaller projects beyond the scope of an administrative review by staff, but below the need for a full review by the Architectural Board of Review, Historic Landmarks Commission, or Single Family Design Board.

Staff recommends adding language to the City Fee Resolution that clarifies the fee for "other consent reviews" for projects not identified as "minor/miscellaneous changes and review after final changes (re-roofs, window/door changes, small one-story detached accessory structures, garages, carports, fencing, walls, building color changes or roof equipment)." Minor consent reviews are charged a fee of \$135. The "other consent reviews" requiring more time than a minor review will be charged at a rate of \$235. The new language will better clarify the two-tier structure for the consent review fee.

Annual Residential and Visitor Parking Permit Fee

The City established a residential parking permit program in 1983, as a parking improvement measure for residential parking areas encroached upon by non-residents. The program continues to expand, as more areas express interest in it. The annual residential and visitor parking permit fee is used to cover the costs of administering the permit program.

With rising costs of the program, the Downtown Parking Committee voted on May 14, 2009 to recommend a \$5 increase (\$15 to \$20) to the annual residential and visitor parking permit fee. The fee increase, effective January 2010, will provide additional revenue to help cover increasing costs, including the increased costs of the permits and the ongoing expansion of the program. The fee was last raised from \$12 to \$15 on January 1, 2007.

On-line Credit Card Convenience Fee

The Police Department has offered an on-line payment option for parking violation penalties for over three years. This has become an increasingly popular payment method. Staff recommends charging a new on-line credit card convenience fee for all on-line parking violation penalty payments to cover the City's cost for third-party processing fees for on-line credit card transactions. The fee is set at \$1.50 per transaction.

PREPARED BY: Michael Pease, Budget Manager

SUBMITTED BY: Robert D. Peirson, Finance Director

APPROVED BY: City Administrator's Office

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA AMENDING RESOLUTION NO. 09-043 TO CLARIFY CONSENT REVIEW FEES FOR DESIGN REVIEW, ADJUST RESIDENTIAL PARKING PERMIT FEES IN THE DOWNTOWN PARKING PROGRAM, AND ADD A CONVENIENCE FEE FOR ON-LINE PAYMENT OF POLICE DEPARTMENT CHARGES

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS:

SECTION 1. That Resolution No. 09-043, establishing certain City fees for Fiscal Year 2010, be amended to clarify consent review fees for design review, adjust residential parking permit fees in the downtown parking program, and add a convenience fee for on-line payment of Police Department charges, as follows:

Page 8

<u>Other Consent Reviews not included in above</u> <u>(example: mailed noticed items for Consent Review).</u>	235.00
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23. Annual Residential and Visitor Parking Permit Fee Effective January <u>1, 2007</u> <u>2010</u> :	\$15 <u>\$20</u> per permit
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<u>On-line Credit Card Convenience Fee</u>	<u>\$1.50</u>
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SECTION 2. All changes listed above shall be effective upon adoption unless otherwise noted above.

SECTION 3. All other provisions of Council Resolution No. 09-043 not inconsistent with this amendment shall remain unchanged.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers

FROM: Airport Administration, Airport Department

SUBJECT: Contract with Jacobs Consultancy for Airport Concessions Program

RECOMMENDATION: That Council authorize the Airport Director to execute a contract with Jacobs Consultancy for specialized services in the development of a concession and advertising program for the Airline Terminal Improvement Project, in an amount not to exceed \$59,270.

DISCUSSION:

Jacobs Consultancy (Jacobs), formally Leigh Fisher Associates, was selected after a competitive request for proposal process as part of the Airline Terminal Improvement Project. The RFP was distributed to six financial firms and four responded and were interviewed by a panel composed of the Finance Director, Assistant Airport Director, and representatives from Morgan Stanley, the City's underwriter. The panel concluded that Jacobs had the comprehensive experience and qualifications best suited to assist the City in developing a long term financial program for the Airport.

The scope of services included development and implementation of a comprehensive financing plan for the Project, airline lease negotiations, and Terminal concession planning and implementation.

An implementation component of the Airline Terminal Improvement Project is the development of a comprehensive food and beverage, gifts and sundries, and advertising program for the new Airline Terminal.

Under this contract, Jacobs will assist Airport staff with:

- developing an operator selection strategy, including local outreach and encouraging local participation;
- review and comment on tenant design guidelines to ensure consistency with the plan and competitive review process;
- the concession lease preparation;
- preparation of the Request for Proposals (RFP) including space exhibits showing the space and locations, business terms, and selection criteria; and
- selection of and lease negotiations with the successful proposers.

BUDGET/FINANCIAL INFORMATION:

This contract is funded under the Airline Terminal Improvement project in the Airport's Capital Fund.

PREPARED BY: Hazel Johns, Assistant Airport Director

SUBMITTED BY: Karen Ramsdell, Airport Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers

FROM: Administration Division, Community Development Department

SUBJECT: Sole Source Yearly Maintenance Agreement With Accela, Inc., For Land Development Team Permit Tracking Software

RECOMMENDATION: That Council:

- A. Approve and authorize the General Services Manager to execute a maintenance agreement for \$34,288 with Accela, Inc., as the only known source for such services for the City's permit tracking software; and
- B. Authorize the renewal of the maintenance agreement on an annual basis for the next five years, subject to annual budget approval.

DISCUSSION:

The City of Santa Barbara's Land Development Team (LDT) departments use Accela, Inc. (government software) as the provider for our permit tracking system (*Tidemark Advantage*), along with various modules such as *Cashier* for processing payments for the LDT. Accela, Inc. is the developer of the software system and is the only known source that can continue with the maintenance agreement.

Staff recommends that Council approve the purchase of this service without advertising per Municipal Code Section 4.52.080(j).

The LDT will continue to use Accela, Inc. as our permit tracking system provider, although in the next three to five years we anticipate going out to bid with multiple vendors for a new permit tracking system.

BUDGET/FINANCIAL INFORMATION:

Funds are available in the Community Development Department's budget for the yearly maintenance agreement and no additional appropriations will be needed at this time for maintenance.

Council Agenda Report
Sole Source Yearly Maintenance Agreement With Accela, Inc., For Land Development
Team Permit Tracking Software
July 14, 2009
Page 2

PREPARED BY: Michele De Cant, Administrative Services Manager

SUBMITTED BY: Paul Casey, Community Development Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Community Promotion Contract With Old Spanish Days

RECOMMENDATION: That Council authorize the Finance Director to execute a Community Promotion contract with Old Spanish Days in an amount of \$99,298 covering the period from July 1, 2009, to May 31, 2010.

DISCUSSION:

The Fiscal Year 2010 budget includes \$99,298 in the Community Promotion Program for the Old Spanish Days organization. Promotion funding will be used for organizing, promoting, and sponsoring the community celebration of Fiesta, as well as help supporting year-round administrative expenses, which include insurance, printing, postage, utilities, and accounting services. Community Promotion funds will also partially cover the costs of portable toilets and promotional costs for posters and brochures. The term of the contract extends over the period of July 1, 2009 through May 31, 2010.

This year the City of Santa Barbara is transferring to Old Spanish Days the responsibility of securing service providers for janitorial service for cleaning, trash pick-up, and portable toilets at the two mercados and power-washing of the De la Guerra mercado area. As the cost of the 2008 janitorial contracts totaled \$44,338, the City is increasing the annual funding provided to Old Spanish Days through the Community Promotions by that amount. Since Old Spanish Days has been providing oversight of these City-written contracts since 2005, this administrative change simply removes the City from the "middle man" position of negotiating and writing a contract which the City is not supervising.

The base contract amount of \$54,960 includes the 8.4% reduction applied to the City's Fiscal Year 2010 community promotion contracts.

PREPARED BY: Jennifer Hopwood, Executive Assistant

SUBMITTED BY: Robert D. Peirson, Finance Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers

FROM: Business Division, Waterfront Department

SUBJECT: Purchase Order For UCP / Work, Incorporated

RECOMMENDATION:

That Council find it in the City's best interest to waive the formal bid procedure as authorized by Municipal Code Section 4.52.080 (k), and authorize the General Services Manager to issue a purchase order to UCP / Work, Incorporated, for janitorial services at the Waterfront Department for Fiscal Year 2010 in an amount not to exceed \$220,000.

DISCUSSION:

UCP/Work, Inc. (Work, Inc.), has provided janitorial services to the Waterfront since 1992. Work, Inc. is a non-profit organization providing vocational rehabilitation services to individuals with mental, developmental, and physical disabilities. These individuals are referred through the Department of Rehabilitation, Tri-Counties Regional Center, and Mental Health Services.

Staff recommends that it is in the best interest of the City to continue providing work opportunities to disabled individuals in the Work, Inc. Vocational Rehabilitation Program. For Fiscal Year 2010, Waterfront staff negotiated to reduce the Work, Inc. contract rate by 5% from \$232,000 to \$220,000 due to budgetary cutbacks. Based on a competitive proposal received in February 2007, staff believes the cost of these services is within the range of market value or competitive costs for comparable janitorial services.

Work, Inc. provides a clean and safe environment for public enjoyment of the Harbor. The company is responsible for cleaning 20 restrooms, the commercial area of the Harbor, and collecting trash in the marinas. Work, Inc. supervisors oversee their employees seven days a week, including holidays. Work, Inc. employees are dependable and courteous and take their work seriously.

As a tax-exempt charitable nonprofit organization, Work, Inc. is exempt from the City's Living Wage Ordinance. However, Work, Inc. pays its Harbor supervisors \$11.00-\$15.00 / hour and provides 9 paid holidays per year, full medical benefits and 18 vacation/sick days per year and 403B/401(k) retirement plan, which exceeds the benefit levels defined in the Living Wage Ordinance. Part-time trainees (individuals with disabilities) and part-time harbor workers are paid between \$7.75 and \$10.00 /hour and do not receive benefits.

Council Agenda Report
Purchase Order For UCP / Work, Incorporated
July 21, 2009
Page 2

Section 4.52.08 (k) of the Municipal Code authorizes City Council to waive the formal bid procedure and approve the purchase of goods or services without complying with formal bid procedures, "where in the opinion of the Council, compliance with procedure is not in the best interest of the City" (Attachment 2). Sufficient funds for the Work, Inc contract are included in the Waterfront Department Fiscal Year 2009 budget submittal.

PREPARED BY: Scott Riedman, Waterfront Business Manager

SUBMITTED BY: John N. Bridley, Waterfront Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
REDEVELOPMENT AGENCY MINUTES

Special Meeting
June 23, 2009
Council Chamber, 735 Anacapa Street

CALL TO ORDER

Chair Marty Blum called the joint meeting of the Agency, City Council and Santa Barbara Financing Authority to order at 2:00 p.m.

ROLL CALL

Agency members present: Iya G. Falcone, Dale Francisco, Roger L. Horton, Grant House, Helene Schneider, Das Williams, Chair Blum.

Agency members absent: None.

Staff present: Executive Director/Secretary James L. Armstrong, Agency Counsel Stephen P. Wiley, Deputy Director Paul Casey, Housing and Redevelopment Manager Brian Bosse, Deputy City Clerk Susan Tschech.

PUBLIC COMMENT

No one wished to speak.

CONSENT CALENDAR

Motion:

Agency members Falcone/Schneider to approve the Consent Calendar as recommended.

Vote:

Unanimous roll call vote.

1. Subject: Minutes (12)

Recommendation: That the Redevelopment Agency Board waive the reading and approve the minutes of the regular meetings of May 19, 2009, and June 2, 2009.

Action: Approved the recommendation.

REDEVELOPMENT AGENCY REPORTS

2. Subject: Redevelopment Agency Operating Budget For Fiscal Year 2010 And Associated Documents (620.03/19)

Recommendation:

- A. That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving a Parking Operations Agreement for Parking Structure No. 2, Parking Structure No. 10, Parking Lot No. 11, Parking Lot No. 12, the Granada Garage Complex, the Railroad Station Parking Lots, and the Two Transportation Management Program Employee Parking Lots, Between the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010;
- B. That the Agency Board adopt, by reading of title only, A Resolution of the Redevelopment Agency of the City of Santa Barbara Approving a Parking Operations Agreement for Parking Structure No. 2, Parking Structure No. 10, Parking Lot No. 11, Parking Lot No. 12, the Granada Garage Complex, the Railroad Station Parking Lots, and the Two Transportation Management Program Employee Parking Lots, Between the Redevelopment Agency of the City of Santa Barbara and the City of Santa Barbara for Fiscal Year 2010;
- C. That the Agency Board amend the proposed Redevelopment Agency Budget to include \$192,000 to be used for various Parking Infrastructure Improvements in the Redevelopment Project Area; and
- D. That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving the Budget of the Redevelopment Agency of the City of Santa Barbara for Fiscal Year 2010.

Documents:

- June 23, 2009, report from the Agency Deputy Director/Community Development Director.
- Proposed Resolutions.
- Proposed Parking Operations Agreement.
- PowerPoint presentation prepared and made by Staff.

The titles of the resolutions were read.

Speakers:

Staff: Fiscal Officer/Finance Director Robert Peirson, Executive Director/City Administrator James Armstrong.

(Cont'd)

2. (Cont'd)

Motion:

Agency/Council members House/Falcone to approve the recommendations; Redevelopment Agency Resolution No. 1015 and Agreement No. 517; City Council Resolution Nos. 09-048 and 09-049 and Agreement No. 23,134.

Vote:

Unanimous roll call vote.

ADJOURNMENT

Chair Blum adjourned the meeting at 6:14 p.m. in memory of City Public Works employee John Schoof.

SANTA BARBARA
REDEVELOPMENT AGENCY

SANTA BARBARA
CITY CLERK'S OFFICE

MARTY BLUM
CHAIR

SUSAN TSCHECH
DEPUTY CITY CLERK



CITY OF SANTA BARBARA

JOINT COUNCIL AND REDEVELOPMENT AGENCY AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers
Chair and Agency Boardmembers

FROM: Housing and Redevelopment Division, Community Development
Department

SUBJECT: Loans For Artisan Court Affordable Housing Project At 416-424 East
Cota Street

RECOMMENDATION:

That the Redevelopment Agency Board and the City Council take the following actions regarding the proposed 56-unit "Artisan Court" affordable housing project at 416-424 East Cota Street to be developed by the Housing Authority of the City of Santa Barbara using new City and Agency loans totaling \$3,200,000:

- A. That the Agency Board approve loans of \$2,000,000 to the Housing Authority of the City of Santa Barbara and \$284,583 to Artisan Court L.P., using Redevelopment Agency Housing Setaside funds, appropriate these amounts from the Agency's housing fund unappropriated reserves, approve subordination of the loans to the construction financing and regulatory agreements required under the tax credit program, if required, and authorize the Executive Director or Deputy Director to execute loan agreements and related documents in a form approved by Agency Counsel;
- B. That the Agency Board approve amending the terms of the Agency's 2006 site acquisition loan of \$2,000,000 to the Housing Authority so that the terms of the existing Agency loan are made consistent with the terms of the new Agency loan and to approve subordination of the existing loan to the construction financing and regulatory agreements required by the tax credit program, if required, and authorize the Executive Director or Deputy Director to execute the required documents in a form approved by Agency Counsel;
- C. That Council approve a loan of \$915,417 of federal Home Investment Partnerships Program (HOME) funds to Artisan Court L.P. and authorize the Community Development Director to execute a loan agreement and related documents in a form approved by the City Attorney;
- D. That Council and the Agency Board adopt, by reading of title only, A Joint Resolution of the Council of the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara Finding that the Use of Redevelopment Agency Housing Setaside Funds for Development of Affordable Housing Located Outside the Central

City Redevelopment Project Area (CCRP) at 416-424 East Cota Street Will Be of Benefit to the CCRP;

- E. That Council and the Agency Board approve the subordination of their affordability control covenant to the lien of the construction lender and to regulatory agreements required under the tax credit program, and make the finding that there is no reasonably available and economically feasible alternative for financing this project without subordination of the affordability control covenant; and
- F. That the Agency and Council take the above actions subject to the condition that Artisan Court L.P. receives approval of a commitment of low income housing tax credits according to their application to the California Tax Credit Allocation Committee dated June 9, 2009.

EXECUTIVE SUMMARY:

The City Housing Authority has requested new City and Agency affordable housing loans totaling \$3.2 million to assist in their development of a 56-unit low income housing project (55 studio units and one manager's unit). The "Artisan Court" project will be built on the site that the Housing Authority bought and landbanked for this purpose in 2006 with the assistance of a \$2 million loan from the Agency. Of the \$3.2 million in new City and Agency loans, \$1.2 million will be used to subsidize the project development costs, and \$2 million will be used toward retiring the existing bank loan on the site.

The target population for the units includes low income downtown workers, youth who are transitioning out of foster care and are at risk of homelessness, and formerly homeless persons or other special-needs persons who are at-risk of homelessness. The Housing Authority has recently applied for low income housing tax credits through the state, which, if approved, will be a major source of project funding.

The total City and Agency assistance to the project will be the sum of the \$3.2 million in new loans together with the \$2 million from the Agency's prior loan. This \$5.2 million in assistance represents a subsidy of approximately \$93,000 per unit. This level of City and Agency subsidy is consistent with other recent affordable housing projects.

DISCUSSION:

Background

On June 20, 2006, the Agency approved a loan of \$2 million to the City Housing Authority to assist with their purchase and "landbanking" of a site at 416-424 E. Cota Street for future housing development. The site is about nine-tenths of an acre and contains two industrial buildings totaling about 21,000 square feet. The major tenant is Haagen Printing. The zoning is Commercial Manufacturing (C-M) which permits multifamily residential development at R-4 standards. The purchase price of the site was \$4.75 million financed with a \$2.75 million bank loan and the Agency's loan.

The Housing Authority initiated the project by selecting the architecture partnership of Christine Pierron and Mark Wienke through a competitive selection process. Christine Pierron was closely involved with the design of the very attractive and successful El Carrillo project which also was developed by the Housing Authority. The design of

Artisan Court shares many of the elements that make El Carrillo an award winning project.

Project Design, Approvals and Affordability

The project as currently proposed is a two and three story complex with about 45,000 square feet of floor area. The residential portion will include 55 small studio apartments of 406 net square feet each, as well as a two-bedroom unit for the on-site manager. There will be a community room of approximately 1,000 square feet and a laundry room. There will be 40 parking spaces, 33 in the on-grade covered garage and 7 uncovered.

The project was reviewed and approved by the Architectural Board of Review, and received development approval from the Staff Hearing Officer. The project received a density bonus (lot area modification) to permit 56 units on a site zoned for 24 units. As was the case with the Housing Authority's 62-unit El Carrillo project, the density bonus was approved based on the substantial public benefit, the attractive design, the small unit sizes, acceptable building size and good neighborhood compatibility.

The parking was approved at 40 spaces rather than the required 74 spaces. The modification was granted based on several findings, including that the project will serve a population that typically does not own cars, is in a downtown location with good access to bus routes, and will be managed by the Housing Authority which has the ability to restrict and monitor vehicle ownership by the tenants.

The project is located in a flood plain, so the habitable spaces will be raised by about three feet.

The 55 studio units will be rented at a range of rents, as follows: 17 units will be affordable to persons with incomes at 30% of area median income (AMI) with rents, including all utilities, at the initial level of \$408 per month; 26 will be for persons at 40% of AMI with rents at \$545; 6 will be affordable to 50% of AMI at \$681, and the remaining 6 will be affordable at 60% of AMI at \$817. These rents are required under the tax credit regulations, and are lower than the City's rental rates for low income housing. Like the City's rent restrictions, the rents may increase as the AMI increases. The City will require that an affordability control covenant be recorded against the property with a term of 90 years.

Proposed Project Financing

The development cost of the project (excluding land) is budgeted at \$12,929,050. The sources of this amount will be:

City HOME Loan:	\$915,417
Agency Loan:	<u>284,583</u>
City/Agency Loans for Development:	\$1,200,000

City/Agency Loans for Development:	\$1,200,000
Deferred Housing Authority Developer Fee:	272,021
Tax Credit Equity from Sale of Tax Credits:	9,800,425

Additional Tax Credit funds through the American Recovery and Reinvestment Act:	<u>1,656,604</u>
Total:	\$12,929,050

In addition to this funding, the Housing Authority also must retire the existing bank loan on the site, which will enable the Artisan Court project to operate without mortgage debt. The very low rents from the 55 units would not be sufficient to support the operating costs as well as payments on the mortgage debt.

As noted in the background discussion above, the Housing Authority purchased the site in 2006 with a \$2.75 million loan from Santa Barbara Bank and Trust (SBBT), which holds a first trust deed, and the Agency's \$2,000,000 loan, which is in second position. The Housing Authority has been making monthly payments on the SBBT loan using income from the commercial leases and has paid the loan balance down to approximately \$2.65 million. To retire this debt, the Housing Authority has requested that \$2 million of the \$3.2 million City and Agency loans be used for this purpose. The Housing Authority will pay off the balance of the SBBT loan from the net income derived from the commercial rentals on the site over the past three years.

Terms and Security of the Loans

The City and Agency loans will bear interest at 3% per year with payments due on a "residual receipts" basis. This means that no payments will be due until the net income of the project, after payment of necessary operating expenses, is sufficient to support such payments. Any unpaid balance which remains after 60 years will be due and payable at that time. These terms are typical of the City's and Agency's affordable housing loans.

The loans will be secured by trust deeds recorded against the property. Because of the large amount of cash equity obtained from the sale of the low income housing tax credits, the City and Agency loans will be well secured by the project's equity after completion of the project. However, as is often the case, the loans will not be fully secured during the construction phase, so the City and Agency are assuming some risk should the project not go forward to completion. Staff believes this risk is low and is acceptable under the circumstances. The solid track record of the Housing Authority is great assurance.

The borrowers will be the City Housing Authority and the limited partnership which is established for the purpose of holding the property during the 15-year tax credit period. This is the same situation as in other affordable housing projects such as the El Carrillo project and Mental Health Association's newly-completed project at 617 Garden Street.

As an implementation strategy for the Ten-Year Plan to End Chronic Homelessness Throughout Santa Barbara County, Bringing Our Community Home, the City, working in conjunction with the Housing Authority and the Ten-Year Plan organization, will determine a specific number of units in the Artisan Court facility that will be targeted to serve the chronically homeless within the City, as identified by a possible City sponsored outreach program. The agreement that results from this discussion will be incorporated into the loan agreements and the covenant, as appropriate, and implemented on behalf of the City by the Housing Authority working together with the Ten-Year Plan organization.

Revisions to the 2006 Agency Loan

The Agency's \$2 million land acquisition loan made to the Housing Authority bore no interest and did not require payments. Because the loan was for the landbanking of the site, and the City and Housing Authority anticipated that an affordable housing project would be approved within 7 years of the loan, therefore, the loan will automatically convert to a 3% interest loan with a 10-year term after 7 years. One of the recommendations of this report is that the Agency Board approve amending the Agency's 2006 loan to bring its terms into conformance with those of the new Agency loan (3% interest, payments on a residual receipt basis, all due in 60 years from the date of the loan amendment). Another important change will be to assign the loan to the limited partnership, Artisan Court L.P. Also, the construction lender and the tax credit regulations will require that the City and Agency subordinate this and the other Agency loan to their liens.

Use of Agency Funds Outside the CCRP

The site of the Project is located outside the Central City Redevelopment Project Area (CCRP). California Redevelopment Law requires that in order for Agency Housing setaside funds to be spent for housing purposes outside the CCRP, the City Council and the Redevelopment Agency must adopt a resolution with certain findings and the determination that the Project is of benefit to the CCRP. The proposed joint resolution is attached.

Project Timing

The Housing Authority has just submitted its application for low income housing tax credits. They expect to begin construction approximately November 1, 2009, once the tax credits have been approved. The project is estimated to be completed by December 2010.

BUDGET/FINANCIAL INFORMATION:

As noted above, the Agency has sufficient loan funds available in the Agency's fiscal year 2010 affordable housing setaside fund budget for this project, and the City has sufficient federal HOME funds allocated through the fiscal year 2010 federal HOME allocation. The use of these funds for this project will conform to all applicable state and federal laws and regulations.

It should be noted that there is another affordable housing sponsor requesting HOME funds from the City at the same time as Artisan Court. Transition House, Inc. is proposing an eight-unit low income rental project on their "Mom's" site directly across Cota Street from Artisan Court. There are sufficient HOME funds available to fund both Artisan Court and the Mom's project.

SUSTAINABILITY IMPACT:

The project has been designed to be environmentally friendly, including photovoltaic panels on the flat roofs, bioswales for the draining, a community garden, and other sustainable features and materials. The studio apartments have been designed to allow for cross ventilation and natural day lighting.

CONCLUSION:

The 55 studio units in this affordable housing project are targeted to Santa Barbara residents who are most in need of a stable and safe place to live. This is an excellent use of \$3.2 million of the City's and Agency's affordable housing funds, and staff recommends approval.

On July 14, 2009, Council's Finance Committee reviewed this financing request and, on a 3-0 vote, recommended that Council and the Agency Board approve the financing and other actions described herein.

ATTACHMENTS: 1. Letter from Housing Authority
2. Site Location Map

PREPARED BY: Brian Bosse, Housing and Redevelopment Manager/SBF

SUBMITTED BY: Paul Casey, Community Development Director

APPROVED BY: City Administrator's Office



HOUSING

AUTHORITY OF THE
CITY OF SANTA BARBARA808 Laguna Street / Santa Barbara
California / 93101Tel (805) 965-1071
Fax (805) 564-7041

June 16, 2009

Mr. Steven Faulstich, Housing Programs Supervisor
Housing & Redevelopment Division
City of Santa Barbara
630 Garden St.
Santa Barbara, CA 93101

**RE: FUNDING REQUEST FOR ADDITIONAL CITY/RDA SUBSIDY FOR THE
DEVELOPMENT OF 416-424 E. COTA ST. AND 517 OLIVE ST. AS A 56 UNIT
AFFORDABLE RENTAL HOUSING COMPLEX—ARTISAN COURT**

Dear Steven:

As you know, the Housing Authority is moving forward with the development of the above referenced property. We hope to be able to begin construction by November 1st. This important development, Artisan Court, will consist of 56 affordable housing units (55 studios and one manager's apartment) and is intended to serve a combination of low income, downtown workers, youth aging out of foster care, and special needs/homeless persons.

While we have submitted an application to the State for Low-Income Income Housing Tax Credit (LIHTC) funding for the bulk of the project's needed equity capital, we will require additional local funding for the project to be financially viable. To this end, we are submitting this amended letter request.

In our original projections, we thought we would need a commitment from the City/RDA of an additional \$4.7 million. Now that we have fully completed our LIHTC application to the State, identified additional funding resources and refined our development numbers, we are able to reduce our funding request to the City and RDA to \$3.2 million at this "point in time." While we are confident in our numbers, our request must be "qualified" until such time that the needed tax credits are awarded and sold, the project is actually bid and all other funding sources are secured. This \$3.2 million request breaks down into two pieces: \$2 million to assist with the payoff of the Authority's existing commercial loan on the property and \$1.2 million to help cover the project's hard cost of construction.

As you know, the property was purchased by the Housing Authority for \$4.75 million in August of 2006. The City Redevelopment Agency provided a \$2 million loan to the

Mr. Steven Faulstich
June 16, 2009
Page 2

Housing Authority to cover part of the acquisition cost. The balance was covered by a commercial loan of \$2.75 million from Santa Barbara Bank and Trust (SBB&T). The loan from SBB&T has a current principle balance of \$2,650,000. To retire this debt, the Housing Authority (as agreed to at the time of purchase) will apply excess revenue of \$400,000 derived from the commercial leases on the property over the past 35 months, along with \$2 million of the \$3.2 million requested herein. The remaining \$1.2 million that is the subject of this request will be used to cover a portion of the development's hard costs of construction.

Enclosed for your review is an updated Executive Summary of the project's development proforma (Exhibit A). It shows total development costs (not including land) of \$12,929,050. The Executive Summary further details funding sources as follows:

Source	Amount
City/RDA Funding	\$1,200,000
Deferred Housing Authority Developer Fee	\$272,021
Tax Credit Equity	\$9,800,425
CTCAC ARRA Award	\$1,656,604
Total Development Cost/Sources	\$12,929,050

In order to fully quantify City/RDA subsidy needs for the project (inclusive of land costs), one would add the initial land purchase loan of \$2 million, the bank loan pay-off need of \$2 million and the \$1.2 million for construction for a total of \$5.2 million or \$92,857 per unit in City/RDA subsidy. The Housing Authority believes that this level of local subsidy is in line with than other recent affordable housing projects in the City.

We thank you in advance for your consideration of this request and look forward to meeting with you soon to review the project and its financing needs in greater detail.

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA



ROBERT G. PEARSON
Executive Director/CEO

cc: Skip Szymanski
Rob Fredericks
Rita Lawrence
Roberta Macchianti

EXECUTIVE SUMMARY
ARTISAN COURT APARTMENTS
 Santa Barbara, CA

6/3/2009

EXHIBIT A

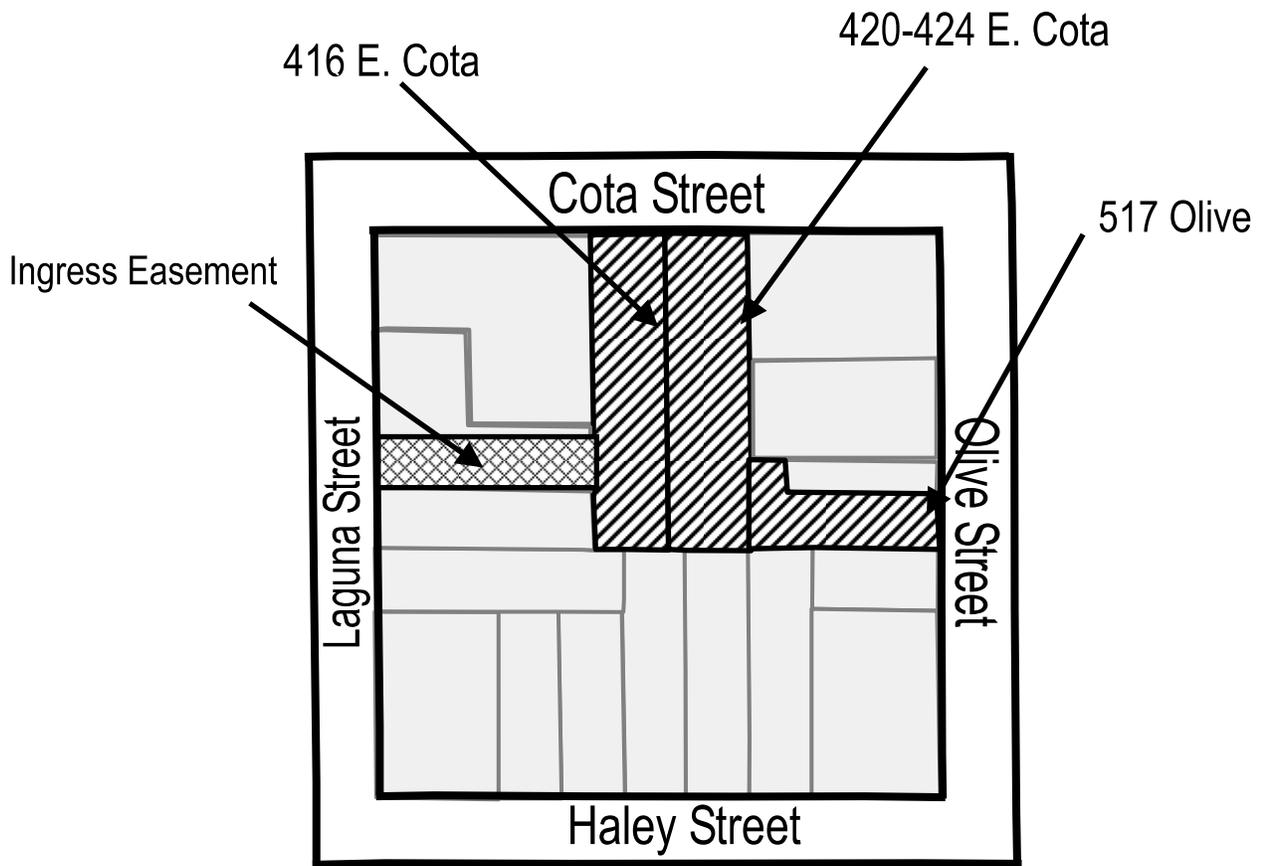
PROJECT SIZE	
TOTAL NUMBER OF UNITS	56
TOTAL PROJECT SQUARE FEET	31,142

PROJECT FINANCING	TOTAL	PER UNIT	PER SQ FT
AQUISITION/PERMANENT FINANCING	0	0	0.00
OTHER FINANCING	1,200,000	21,429	38.53
DEVELOPMENT FEE REINVEST	272,021	4,858	8.73
PARTNER CAPITAL CONTRIBUTIONS			
LIMITED PARTNER CONTRIBUTIONS	9,800,425	175,008	314.70
TCAC ARRA AWARD	1,656,604	0	0.00
TOTAL PROJECT FINANCING	12,929,050	201,295	

PROJECT COSTS	TOTAL	PER UNIT	PER SQ FT
LAND & EXISTING BUILDINGS	0	0	0.00
DIRECT CONSTRUCTION COSTS	10,263,488	183,277	329.57
FINANCING & INDIRECT COSTS	1,079,691	19,280	34.67
DEVELOPER COMPENSATION	1,403,411	25,061	45.06
CASH RESERVES & OPER. DEFICITS	182,460	3,258	5.86
TOTAL PROJECT COSTS	12,929,050	230,876	415.16

LOW INCOME HOUSING TAX CREDITS	
MAXIMUM ANNUAL CREDIT ALLOCATION	1,380,503

UNIT MIX	# UNITS	% OF M.I.	RENT	SQ. FT.	RENT/SQ FT
STUDIO	17	30%	\$408	450	0.91
STUDIO	26	40%	\$545	450	1.21
STUDIO	5	50%	\$681	450	1.51
STUDIO	7	60%	\$817	450	1.82



Housing Authority Property for Artisan Court Project

RESOLUTION NO. _____

A JOINT RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA AND THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA FINDING THAT THE USE OF REDEVELOPMENT AGENCY HOUSING SETASIDE FUNDS FOR DEVELOPMENT OF AFFORDABLE HOUSING LOCATED OUTSIDE THE CENTRAL CITY REDEVELOPMENT PROJECT AREA (CCRP) AT 416-424 EAST COTA STREET WILL BE OF BENEFIT TO THE CCRP

WHEREAS, pursuant to the authority of Health and Safety Code Section 33334.2(g), the Redevelopment Agency of the City of Santa Barbara and the Council of the City of Santa Barbara wish to authorized the expenditure of Agency Housing Setaside Funds outside the Central City Redevelopment Project (CCRP) Area for the development of affordable low and moderate income housing;

WHEREAS, the Agency desires to promote low and moderate income housing that will benefit the CCRP Area by approving said expenditure;

WHEREAS, the Agency wishes to assist the Housing Authority of the City of Santa Barbara and Artisan Court L.P. with development of property at 416-424 East Cota Street with affordable low and moderate income housing; and

WHEREAS, as a condition of the Agency affordable housing financing, the Agency and the Housing Authority of the City of Santa will be executing a covenant assuring the long-term affordability of the development to persons of low and moderate income.

NOW THEREFORE, BE IT RESOLVED JOINTLY BY THE COUNCIL OF THE CITY OF SANTA BARBARA AND THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA AS FOLLOWS: That the Council and Redevelopment Agency find and determine that, although the subject property to be developed is outside the CCRP Area, the use of Agency Housing Setaside Funds for affordable housing will be of benefit to the CCRP in that:

SECTION 1. The fundamental purpose of redevelopment is to expand the supply of low and moderate income housing;

SECTION 2. There is a shortage of safe, decent, and sanitary housing for persons and families of low and moderate income within the CCRP Area, and there are insufficient suitable sites for development of such housing within the CCRP Area; and

SECTION 3. Insufficient suitable housing units are available in the community for low and moderate income persons and families who may be displaced by activities in the CCRP Area.



CITY OF SANTA BARBARA

JOINT COUNCIL AND REDEVELOPMENT AGENCY AGENDA REPORT

AGENDA DATE: July 21, 2009

TO: Mayor and Councilmembers
Chair and Boardmembers

FROM: Housing and Redevelopment Division, Community Development
Department

SUBJECT: Loan For Mom's Place Affordable Housing Project Sponsored by
Transition House At 421 East Cota Street

RECOMMENDATION:

That the City Council and Redevelopment Agency Board take the following actions regarding the proposed "Mom's Place" affordable housing project at 421 East Cota Street to be developed by Mom's L.P. using a new City loan of \$680,000:

- A. That Council approve a loan of \$680,000 of federal Home Investment Partnerships Program (HOME) funds to Mom's L.P and authorize the City Administrator or Community Development Director to execute a loan agreement and related documents in a form approved by the City Attorney;
- B. That Council approve funding the proposed new HOME loan subject to the condition that Mom's L.P. receives low income housing tax credits and state loan funds, or other comparable financing as approved by staff and the City Attorney;
- C. That the Agency Board approve amending the Agency's 1999 acquisition loan and 2009 predevelopment loan to Transition House so that the terms of the existing loans are consistent with the proposed new HOME loan, approve assigning the two existing Agency loans to Mom's L.P., and authorize the Executive Director or Deputy Director to execute the required documents in a form approved by Agency Counsel;
- D. That the Agency Board approve subordination of the Agency loans to a new bridge loan, to a new permanent loan from the State of California, and to the regulatory agreements and covenants required under the Low Income Housing Tax Credit Program and the state's Supportive Housing Program, and authorize the Executive Director or Deputy Director to execute required documents in a form approved by Agency Counsel; and
- E. That Council and the Agency Board approve a new replacement affordability control covenant with Mom's L.P. covering all 16 units and approve subordination of the covenant to the liens of the bridge loan and the state's loan and to regulatory agreements and covenants required under the Low Income Housing Tax Credit Program and the state's Supportive Housing Program, make the finding that there is no reasonably available and economically feasible alternative for financing this

project without subordination of the affordability control covenant, and authorize the City Administrator or Community Development Director to execute required documents in a form approved by the City Attorney.

EXECUTIVE SUMMARY:

Mom's L.P. ("Mom's"), formed by Transition House for purposes of obtaining affordable housing tax credit financing, seeks \$680,000 in HOME funds to demolish a building that formerly housed the Mom's Restaurant and to construct a new mixed-use building with affordable rental housing units for homeless families and an infant care center. Transition House acquired the site in 1999, with Agency assistance, which includes an existing mixed-use building on the property with eight residential units, which Mom's plans to rehabilitate.

Two existing Agency loans will need to be assigned to Mom's. The documents will also need to be subordinated to new financing for the project and related regulatory agreements. The existing Agency loans plus the proposed new HOME loan total \$1,120,000. The City has sufficient HOME funds for the proposed project and faces an August 30th deadline to commit them.

The proposed project concludes a decade-long Transition House plan to create a cohesive campus dedicated to the full and lasting recovery of homeless families.

BACKGROUND:

For 25 years, Transition House has provided food, shelter and services to homeless families in Santa Barbara. Transition House acquired an old warehouse located at 434 East Ortega in 1992 and converted it to a family homeless shelter with ground-floor administrative offices and program space. In 1999, the family owners of the former Mom's Restaurant sold their property at a discounted price to Transition House. This property included the Mom's Restaurant building on Cota plus an adjacent modern mixed-use building at the corner of Olive and Cota with eight apartments located over ground-floor commercial space (renamed the Cordover Center after the organization's original Executive Director, Jill Cordover).

The Mom's property and the family homeless shelter on Ortega are located on the same block and are connected via a driveway (see attached site plan). After acquiring the Mom's property, Transition House was then able to embark on an ambitious plan to develop the properties as one cohesive campus that addresses the needs of homeless families in a comprehensive fashion. Transition House first created new space for offices and its programs and support services by converting the ground floor commercial space in the Cordover Center. This freed up the ground-floor space in the family shelter on Ortega and enabled Transition House to devote that building exclusively to shelter use. Transition House renovated the shelter and reconfigured the space to give families more privacy and to increase the number of families served.

Meanwhile, as vacancies arose in the eight apartments on the second floor of the Cordover Center, they were filled with client families that successfully completed

Transition House programs and demonstrated readiness for more independent living. As described below, the focus now shifts to the Mom's Restaurant building, which has been leased during the interim to antiques and furniture merchants (Cominiche's).

PROPOSED PROJECT:

Transition House plans to demolish the Mom's Restaurant building and construct a new, two-story mixed-use building with 9,700 square feet that will feature eight new apartments for client families and a 2,000 square foot infant care center and offices on the ground floor. The new building will include an elevator and a bridge connection to the adjacent Cordover Center building. With its location in a flood zone, the site area for the new building will be raised about three feet and will include access ramps. The Cordover Center will receive a new roof and repairs will be made to the eight existing apartments.

The proposed eight new units will include six 2-bedroom units with 850 square feet and two 3-bedroom units with 1,175 square feet. When combined with the existing eight units, this will result in four 1-bedroom units, ten 2-bedroom units, and two 3-bedroom units. Rents will range from \$437 to \$1,050 per month, depending on size and income targeting. The units will be targeted exclusively to low and very-low income households. Six units will be targeted to households earning 25 percent of the Area Median Income (AMI). Eight units will be targeted to 50 percent AMI, and two units will be targeted to 60 percent AMI.

Transition House submitted their application for preliminary design review in May. The proposed mixed uses are allowed in the C-M zone where the site is located. While Transition House is not seeking a density modification, they are seeking a parking modification. They submitted their preapplication for the parking modification in May and hope to appear before the City's Staff Hearing Officer in August. Their application for design review was also submitted in May. The City's Architectural Board of Review reviewed their conceptual design on June 29, and Transition House is working on incorporating their comments into their resubmittal due in the coming weeks.

DEVELOPMENT TEAM:

In order to be eligible for tax credit financing, Transition House established Mom's L.P., a California limited partnership, which consists of two general partners – Santa Barbara Housing Assistance Corporation and Garden Court, Inc. Both parties serve as general partners in a number of affordable housing projects, including El Carrillo and Garden Court. Transition House will retain ownership of the real property and will ground-lease it to Mom's L.P. Transition House will sell the Cordover Center building and Mom's Restaurant building (to be demolished) to Mom's L.P. Mom's L.P. will also own the new building to be erected at the location of the existing Mom's Restaurant building at 421 East Cota. Transition House will have an option to acquire both buildings and terminate the ground lease with Mom's L.P. after the first 15 years of the new project's operation.

The Housing Authority will assist Transition House in managing construction of the new project, just as they assisted Transition House with the renovation of the Ortega family shelter. Artisan Court, the new affordable housing project planned by the Housing

Authority, is located directly across the street. The two projects share the same architecture team of Christine Pierron and Mark Wienke.

PROPOSED FINANCIAL PLAN:

1. Original Financing: Transition House acquired the property in 1999 for \$3,000,000 by raising nearly \$2 million in private funds and securing first mortgage financing from Santa Barbara Bank & Trust (SBBT) in the amount of \$727,578. The SBBT loan was refinanced in 2006 with a new loan of \$675,000 that Transition House plans to pay off at the start of construction of the new project. The Agency provided the gap financing for the acquisition, which amounted to \$320,000. Over the last ten years, interest has accrued on the Agency acquisition loan (resulting in a current balance of \$420,000), which will be part of the permanent financing and will be amended as described below.

2. Costs of Proposed New Project: The total development cost of the new project is roughly \$8 million. This includes (i) acquisition of the existing buildings, (ii) rehabilitation of the existing eight affordable units in the Cordover Center, and (iii) construction of the new mixed use building with eight new affordable units and including the infant care center and office space for supportive services (See details in Attachment 3).

3. Proposed New Financial Plan: Transition House has retained Frank Thompson Housing Consultants to prepare the financial plan. Roughly half of the \$8 million project development cost will be paid for with tax credits. They also plan to receive roughly \$1 million from the state's Supportive Housing Program. Montecito Bank & Trust (MBT) has made a commitment to provide a bridge loan which will cover construction costs and funds to retire the existing SBBT loan. The MBT loan will be repaid upon completion of project construction when tax credits start flowing and the state loan closes. (See details on amounts in Attachment 3 and see descriptions of all financing sources below.)

The combined City and Agency contribution will total \$1,120,000, which is comprised of the proposed new HOME loan (\$680,000), the Agency predevelopment loan (\$120,000), and the Agency's acquisition loan (\$320,000). This subsidy amount is consistent with other affordable housing projects - \$40,000 per unit for the 1999 acquisition of the existing eight units and \$100,000 per unit for the proposed eight new units, resulting in an average per unit subsidy for the whole project of \$70,000.

a. Low Income Housing Tax Credits: Critical to the project's financing is the application Mom's submitted in early June to the California Tax Credit Allocation Committee (TCAC) – a highly competitive program designed to generate cash for low income affordable rental housing projects. If Mom's L.P. is awarded by TCAC, then it will be authorized to sell low income housing tax credits to investors. Mom's estimates that proceeds from the sale of tax credits would result in a cash infusion of \$4,231,000 to the project. Mom's has until August 17, 2009 to perfect their application (including documentation of the \$680,000 commitment of HOME funds requested here). TCAC is scheduled to announce their awards in September.

b. State Supportive Housing Program: Another critical component of the financial plan is the Supportive Housing Program. This program is a new bond-funded program operated by the State of California's Department of Housing and Community Development (HCD) to provide financial assistance to permanent affordable housing projects for the homeless that include supportive services. Transition House is seeking a 55-year loan in the amount of \$1,037,174. The HCD loan would not close until after construction is complete, and loan proceeds would be used to repay the bridge loan described below.

c. Bridge Loan from Montecito Bank & Trust: Transition House has secured a commitment for a short-term bridge loan from Montecito Bank & Trust (MBT) in the amount of \$3,475,000. Proceeds from this loan would be used to retire the existing first mortgage with SBBT and will be used for construction. The MBT loan will have a fixed interest rate of 6 percent and a term of 2 years.

d. Proposed New HOME Loan: Mom's has requested \$680,000 in permanent financing to be used exclusively for construction of the eight new affordable housing units. This request is consistent with what was anticipated when the Agency Board approved the Transition House predevelopment loan last September.

e. Existing RDA Loans: The 1999 Agency acquisition loan and the 2009 Agency predevelopment loan will be assigned by Transition House to Mom's L.P. It will also be necessary to extend the term of the loans and the repayment terms to make them consistent with the proposed new HOME loan (as described below).

f. Transition House Contributions: Transition House will make contributions to the project in the form of a seller "carryback" loan, deferred developer fee, and funds they raise from private sources for the infant care center. They will also be paying rent to Mom's L.P. for their office and program space and for the infant care center for at least 15 years until their option to purchase comes up.

4. Terms, Subordination and Security of City and Agency Loans: The proposed new HOME loan and the two existing Agency loans will bear interest at 3% per year, with payments due on a "residual receipts" basis. This means that no payments will be due until the net income of the project, after payment of necessary operating expenses, is sufficient to support such payments. Any unpaid balance which remains after 60 years will be due and payable at that time. These terms are typical of the City's and Agency's affordable housing loans.

During construction, the three City and Agency loans would be subordinate to the MBT bridge loan. After construction is completed, the City and Agency loans would be subordinate to the HCD loan and to the regulatory agreements. This subordinate position is a typical position for local government lenders in funding affordable housing projects.

The three loans would be secured by deeds of trust recorded against the leasehold interest held by Mom's and by Mom's ownership interest in the Cordover Center and the new mixed-use building. Because of the large amount of cash equity obtained from the sale of the low income housing tax credits which bears no debt, the proposed HOME and

existing Agency loans will be well secured by the leasehold interest and the project's equity after completion. However, as is often the case, the loans will not be fully secured during the construction phase, so the City and Agency are assuming some risk should the project not go forward to completion. Staff believes this risk is low and is acceptable under the circumstances. The solid track record of Transition House and the involvement of the Housing Authority provide great assurance.

As an implementation strategy for the Ten-Year Plan to End Chronic Homelessness Throughout Santa Barbara County, Bringing Our Community Home, the City, working in conjunction with Transition House and the Ten-Year Plan organization, will establish an outreach program whereby families meeting specific criteria determined by the Ten-Year Plan organization together with Transition House are targeted for services at Transition House facilities. The agreement on the parameters of this program will be incorporated into the loan agreement and the new covenant, as appropriate, and implemented on behalf of the City by Transition House working together with the Ten-Year Plan organization.

SUBORDINATION OF CITY COVENANT:

Transition House and the City executed an affordability control covenant in 1999 that was amended in 2009 when the Agency made its predevelopment loan. This document sets limits for the income of tenants and the rents to be charged by Transition House. The covenant will be replaced by a new covenant entered into with Mom's and covering all sixteen affordable units. The new covenant will be subordinate to the MBT bridge loan, HCD loan, regulatory agreements, and covenants related to the tax credits. Staff supports the requested covenant subordination, as the tax credit and HCD regulatory agreements result in lower rents and deeper income targeting than that required under the existing City covenant.

Since housing setaside funds were used to finance both the acquisition loan and the predevelopment loan, subordination of the City's affordability covenant is subject to State redevelopment law. California Health and Safety Code Section 33334.14 requires that certain findings be made if affordability restrictions are to be subordinated. As discussed above, MBT and HCD are requesting such subordination. The key finding is that no other "economically feasible alternative" source of financing without the condition of subordination is available. That is clearly the case in this instance. Furthermore, in staff's experience all conventional lenders would require first position security for such loans.

Another requirement is that, in the event of a default by Mom's L.P. under either of the senior deeds of trust, the affordability restrictions recorded against the real property must provide the legal remedies required by California Health and Safety Code Section 33334.14. As described above, these remedies include the right to cure the default and take over the property, thus preserving the affordability restrictions. Replacing the affordability covenant will provide the City with this right.

BUDGET/FINANCIAL INFORMATION:

The City has sufficient federal HOME funds on hand for the proposed project. In fact, the City faces an August 30th deadline to commit these funds, which are funds HUD earmarks for use by specially designated nonprofits known as Community Housing Development Organizations (CHDOs). HUD sets aside 15 percent of the City's annual HOME award for exclusive use by CHDOs. Transition House is one of Santa Barbara's three nonprofit organizations that meet the federal CHDO requirements.

CONCLUSION:

Staff supports the proposed project and requests that Council and Agency Board take the actions recommended herein. In this one new building, Transition House will provide the three critical elements that constitute their comprehensive approach to treating homeless families – housing, child care, and training/support services – resulting in full and lasting recovery.

On July 14, 2009, Council's Finance Committee reviewed this financing request and, on a 3-0 vote, recommended that Council and the Agency Board approve the financing and other actions described herein.

- ATTACHMENTS:**
1. Letter from Transition House
 2. Site Location Map
 3. Development Costs/Financing Plan

PREPARED BY: Brian Bosse, Housing and Redevelopment Manager/SK

SUBMITTED BY: Paul Casey, Community Development Director

APPROVED BY: City Administrator's Office



425 East Cota Street, Santa Barbara, CA 93101 • 805-966-9668 • FAX 805-966-6331
EMAIL: admin@transitionhouse.com

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June 17, 2009

Steven Faulstich
City of Santa Barbara
P. O. Drawer P-P
Santa Barbara, CA 93102

RE: Mom's Apartments, Transition House, 421 and 425 E. Cota Street,
8 New Permanent Apartments for Homeless Families and Child Care

Dear Mr. Faulstich,

Transition House appeared before the Redevelopment Agency in May, 2008 to review the plan to construct eight new apartments of permanent housing for the homeless, a new child care center and space to provide supportive services on property it owns at 421 E. Cota Street, and to renovate the eight apartments owned by Transition House in the building at 425 East Cota Street. The Redevelopment Agency approved the loan request of Transition House for \$120,000 for predevelopment and design expenses for the proposed project.

Transition House hereby requests final review of its financing plan and approval of its request for \$680,000 of HOME funds toward development and construction costs. Specifically, Transition House has established a new limited partnership, Mom's L.P., a California Limited Partnership, to hold the ownership of the existing buildings to be renovated and to construct the new building. Transition House requests that the new HOME funding in the amount of \$680,000 be committed to Mom's, L.P., and that the existing loans of Transition House at this location, be approved to be assumed by Mom's, L.P., and their terms modified so that each of the loans are extended for a 60 year period, to be co-terminus with the new State financing for the project.

Project Planning Concept

This building site comprises the old "Mom's Restaurant" and is adjacent to and legally on the same parcel as our existing building with eight affordable apartments and service space. Transition House proposes to build eight new permanent housing apartments for homeless families graduating from its present shelter and transitional housing program. These 8 new units would be situated behind and above a new ground floor infant child care space for 25 infants, and other supportive services at 421 E. Cota Street. The project also envisions minor rehabilitation and improvement of the existing eight affordable units situated over the administrative offices located at 425 E. Cota Street, including upgraded windows and insulation, appliances, lighting, and mechanical equipment, and a new solar photovoltaic system.

The children served in the new Infant Care Center at 421 East Cota will come from Transition House's client base along with babies from other very low-income families participating in Transition House's Homelessness Prevention Program.

Project Development Team

Transition House now operates an eight-unit complex at 425 E. Cota Street next door to Mom's, and 70 beds at its now-fully-renovated emergency shelter at 434 E. Ortega Street, all in close proximity to the project site. Transition House also owns and operates a 19-unit affordable apartment complex located at 320 S. Salinas Street. Transition House's experience demonstrates its ability to be able to successfully manage the eight new apartments in the new building.

Transition House plans to work with the Santa Barbara City Housing Authority to manage the construction of the new facility as the developer. In 2004, Transition House successfully employed the Housing Authority's development staff to manage its \$2 million shelter renovation construction. The two agencies have collaborated since 1992 serving Santa Barbara's very low income population, and both look forward to working together on the Mom's project.

Transition House has also retained Frank Thompson Housing Consultants to prepare the finance and business plan, obtain necessary financing, including low income housing tax credits and available State and federal financing, and to work closely with the Housing Authority to manage the design and development teams.

The Housing Authority is concurrently financing the Artisan Court project (formerly Haagen Printing) across Cota Street from Transition House. If timing and other factors allow, both projects may move through some aspects of financing, and construction together, and benefit from close cooperation between the staff of each agency. In addition, the child care center to be built in Transition

House's new project, along with educational programs and career development services aimed at engendering economic stability in participants, will be offered to qualifying low-income residents of the Artisan Court project. These services are provided at the 425 E. Cota Street location as part of Transition House's Homelessness Prevention Program.

Project Financial Elements

The ability of the Low Income Housing Tax Credit program to generate large amounts of capital for new permanent housing for the homeless has been demonstrated in several recent projects in Santa Barbara. With the goal of reducing Transition House's City funding request to the minimum, safe level that can be anticipated, the ownership of the new project and existing development needs to be legally structured in a limited partnership, so that low income housing tax credits can be obtained and equity funding obtained. Transition House, with Frank Thompson's assistance, has established Mom's, L.P., a California Limited Partnership, including Santa Barbara Housing Assistance Corporation, and Garden Court, Inc. as general partners. We have applied to the State Treasurer's Office on June 9, 2009, and anticipate receiving \$ 4,230,726 in limited partner equity from low income housing tax credits toward total project costs.

Santa Barbara Housing Assistance Corporation serves as general partner in the Garden Court project, El Carrillo project, and 9 other affordable housing projects throughout California, with other housing authorities and private investors. The Housing Authority of the City of Santa Barbara is available to provide technical assistance with management, or other ongoing facilities issues if requested by Transition House.

Transition House anticipates borrowing \$1,037,174 from the State of California Department of Housing and Community Development Supportive Housing Program. This is a new program, bond-funded, to provide 55 year financial assistance for qualified permanent housing for the homeless where substantial supportive housing services are available. This supportive housing service model is currently offered at each of Transition House's properties.

Mom's, L.P. has applied to and been approved by Montecito Bank and Trust for an acquisition and construction loan in the amount of \$3,475,400 for the project. This loan would be fully repaid when the State loan is received and the tax credit equity is received by the project.

Although the exact costs to construct and develop the new facility can not be known at this time, we have based our costs on recent low income housing construction costs in the City of Santa Barbara, plus a contingency intended to cover higher costs over the estimated two-year period until the facility could be completed.

The estimated total project cost is \$7,987,453, including the cost of the eight new apartments and infant day care center at \$5,162,453. The total cost of acquisition is \$2,505,000, based on our appraisal dated June 1, 2009, including \$1,252,500 for the apartments, above, and \$1,252,500 for program and administrative space at the first floor of the building at 425 East Cota Street. The estimated costs to renovate the existing building is \$320,000.

The June 1, 2009 appraisal of Wayne Holden, SRPA, shows land value at \$4,395,000. Transition House will keep the land, free and clear, and execute a 90 year ground lease with Mom's, L.P. We seek City approval to have Mom's, L.P. assume the existing City loan for \$320,000 principal plus approximately \$100,000 in accrued and unpaid interest, and the recent City loan of \$120,000 for predevelopment. These loans would be secured against the leasehold interest and ownership of the buildings held by Mom's, L.P. The Transition House ground lease will subordinate to the mortgage financing on the buildings (City, Redevelopment Agency, Montecito Bank and Trust and State loans).

Transition House hereby requests an allocation of HOME funds in the amount of \$680,000 to be added as a loan, to the existing City financing on our property. Transition House also requests City cooperation to restructure the existing financing as follows:

- \$320,000 existing Redevelopment Agency loan for acquisition of the property in July, 1999 plus accrued interest of approximately \$100,000 as of July 30, 2009, with the loan due date extended from July 30, 2029 to July 30, 2069, subordinate to acquisition and construction financing of Montecito Bank and Trust (or similar lender) and State of California loan, and;
- \$120,000 existing Redevelopment Agency loan for predevelopment expenses of the project, with a loan due date of July 30, 2069 and 3% simple interest deferred as residual receipts through the life of the loan, subordinate to the Montecito Bank and Trust loan and the State of California loan, and;
- \$680,000 new HOME loan for development expenses of the project, with a loan due date of July 30, 2069 and 3% simple interest deferred as residual receipts through the life of the loan, subordinate to the Montecito Bank and Trust loan and State of California loan..

We have included a tabular time frame for the project, below, showing our continuing steps, culminating in construction start in May, 2010, completion in August, 2011, followed by occupancy by December, 2011.

Transition House appreciates the past support we have received from the City of Santa Barbara and we are grateful to City for considering our request.

We have included a detailed projected draw schedule for City and other predevelopment expenses, a copy of our architect proposal, a copy of our recent property appraisal, and a schedule showing the areas and cost allocations between the residential and non-residential construction, new and existing parts of the building.

Transition House has provided notice to the existing commercial and one residential tenant on the building site, pursuant to federal requirements, and has included costs of relocation in its development budget, in compliance with federal statutes.

If you have further questions, please don't hesitate to contact me at 966-9668, or the other members of our project team.

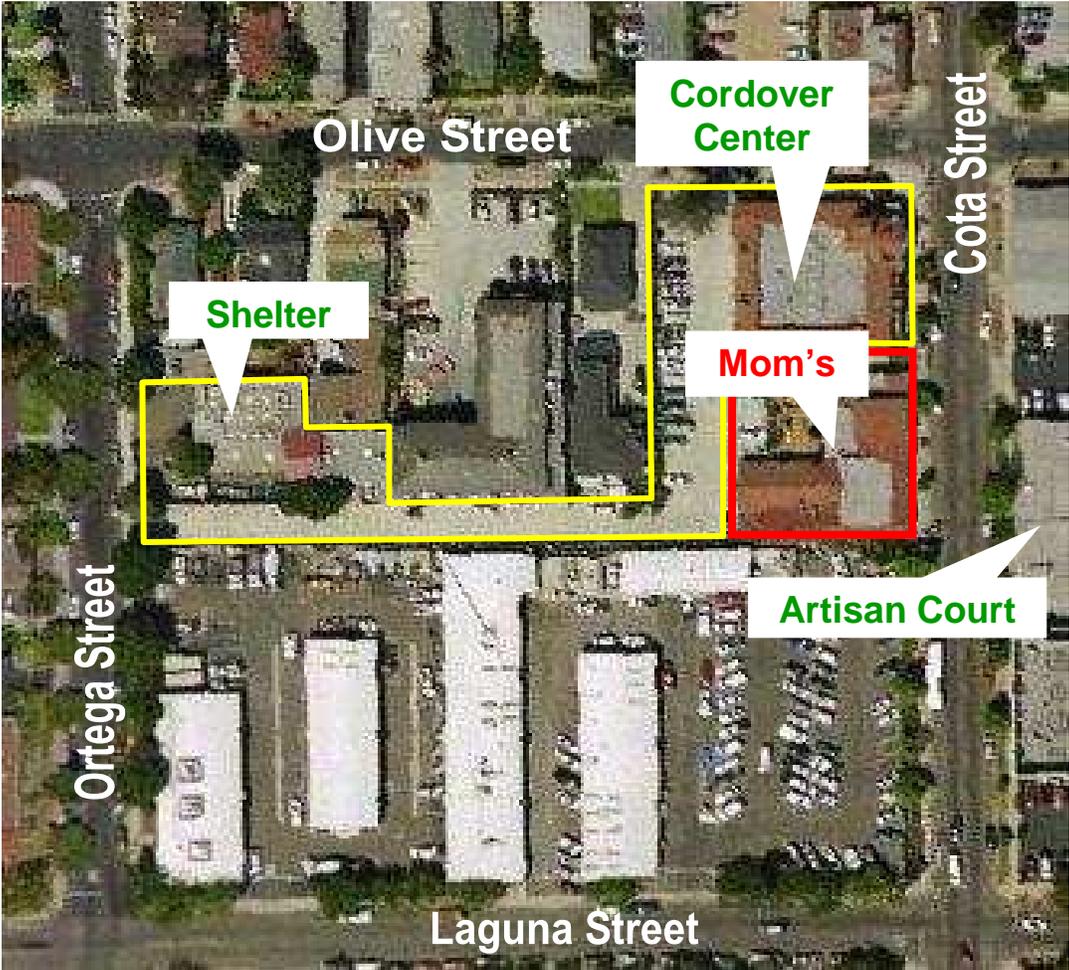
Sincerely,



Kathleen Baushke
Executive Director

cc: Skip Szymanski, Housing Authority of the City of Santa Barbara
Rob Fredericks, Housing Authority of the City of Santa Barbara
Frank Thompson, Frank Thompson Housing Consultants

Transition House Property



Attachment 3

Development Costs & Financing Plan for Mom's Place Project

Original Financing (1999)

SBB&T:	\$727,578
RDA Acquisition Loan:	320,000
Trans House Fundraising:	<u>1,952,422</u>
Total:	\$3,000,000

SBB&T refinanced original loan in 2006 with new 15-year note of \$675,000. Over the last 10 years, interest has accrued on the RDA Acquisition Loan, resulting in a current balance of \$420,000. This new revised amount appears in the lists of funding sources below.

Costs of Proposed New Project

New Construction:	\$5,163,000
Renovation:	320,000
Acquisition by Moms LP:	<u>2,505,000</u>
Total	\$7,988,000

Funding Sources During Construction

MBBT Bridge Loan:	\$3,475,000
RDA Acquisition Loan:	420,000
RDA Predevelopment Loan:	120,000
Proposed New HOME Loan:	680,000
Seller Carryback Loan:	470,000
Deferred Developer Fee:	568,000
Tax Credit Equity Advance:	1,270,000
Transition House:	<u>985,000</u>
Total	\$7,988,000

Permanent Funding Sources

State Supportive Hsng Loan:	\$1,037,000
RDA Acquisition Loan:	420,000
RDA Predevelopment Loan:	120,000
Proposed New HOME Loan:	680,000
Seller Carryback Loan:	240,000
Deferred Developer Fee:	257,000
Tax Credits:	4,231,000
Transition House:	<u>1,003,000</u>
Total	\$7,988,000



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 21, 2009
TO: Mayor and Councilmembers
FROM: Environmental Services Division, Finance Department
SUBJECT: Proposed New Business Sector Trash And Recycling Rates

RECOMMENDATION: That Council:

- A. Receive a report on the outreach provided to the business sector on the new proposed rates for trash, recycling, greenwaste and foodscrap collection services; and
- B. Direct staff to initiate the noticing process per Proposition 218 requirements and schedule a public hearing at City Council in October 2009 regarding new Business Trash and Recycling Rates.

EXECUTIVE SUMMARY:

On March 3, 2009 City Council approved, in concept, the proposed new rates for trash, recycling, greenwaste and foodscrap collection services in the City's business sector. These new rates are designed to: 1) increase financial incentives for businesses to recycle more and dispose of less, 2) create new rates for the Foodscrap Recovery and Composting program in the business sector and 3) to enable business customers to better understand and self-audit the charges shown on their utility bills and discern the financial incentives that have been created to divert materials from landfill disposal.

Because of the nature of the changes and the importance of having businesses understand the new rates and how they may impact them, City Council directed staff to make a concerted outreach effort to the business community, and receive feedback and answer questions before moving forward with implementing the new rates.

While outreach and technical assistance will be an ongoing effort, the primary goals of the outreach campaign have been achieved. Thus, staff is recommending Council approval to move forward with the next steps, including noticing the proposed rate changes pursuant to Proposition 218 and implementation of the new rates effective November 1, 2009.

DISCUSSION:

Proposed Rate Changes

The proposed changes to rates in the business sector were developed through a collaborative effort between City staff, a hired consultant specializing in rate studies, and staff from the City's two contracted haulers, MarBorg Industries and Allied Waste. A rate model was created that incorporated the following key objectives:

- Virtually all businesses should have the opportunity to reduce the cost of the refuse services through increased diversion.
- Businesses currently diverting *less* than 50% should see an *increase* in their monthly charges.
- Businesses currently diverting *50% or more* should see a *decrease* in their monthly charges. Because actual volume of material is difficult to measure, diversion levels and charges are based on container types and sizes.
- The pricing of recycling, greenwaste, and foodscrap services will be lowered to 15% of the price of trash.
- The 96 gallons of free recycling and greenwaste services will be preserved for only those customers with carts and/or cans.
- Free recycling and greenwaste services for customers with trash dumpsters will be discontinued and spread across all rates.
- There will be slight rate increases for more frequent pick-ups.
- Additional revenues will be generated to ensure rate stability over several years.

Although it was not possible to achieve all of the above objectives for every customer class at every diversion level, the objectives are achieved in almost all cases. Below is an example of the impacts to an average-sized business customer that has eight cubic yards of collection service per week, at varying levels of diversion.

<u>Medium Sized Business Customer</u>	<u>Diversion</u>	<u>Current Bill</u>	<u>New Bill</u>	<u>% Change</u>
Trash Dumpster Only	0%	\$740.92	\$877.90	18.5%
Trash Dumpster / Recycling Dumpster	33%	\$610.01	\$626.65	2.7%
Trash Dumpster / Recycling Dumpster	50%	\$551.53	\$504.79	-8.5%
Trash Dumpster / Recycling Dumpster	66%	\$493.04	\$366.23	-25.7%

In addition, the proposed rates will include rates for a new Foodscrap Recovery and Composting Program in the business sector. This program has been in the pilot phase for over 2 years and has been very successful and well received. The containers for foodscrap, which will be yellow, will also be priced at 15% of the price of trash to provide an equal incentive in relation to other diversion containers.

The proposed new business rate structure and impacts to customer classes were presented to the Solid Waste Committee (Committee) on February 12, 2009. On June 24, 2009, staff presented the results of the outreach effort to the Committee, which recommended forwarding the proposed business rate structure to City Council for implementation in accordance with the schedule discussed under "Next Steps" below.

Business Outreach Effort Completed

Staff created and executed the following Business Outreach Plan:

- 1) Four presentations to major business groups, including:
 - Downtown Organization (Board of Directors)
 - Santa Barbara Chamber of Commerce (Government Affairs Committee)
 - Greater Santa Barbara Restaurant and Lodging Association (General Membership meeting)
 - A joint meeting with the directors of the above three organizations and the Hispanic Chamber of Commerce
- 2) Four public forums detailing the purpose of the rate study, the impacts of the new proposed rates on various sized businesses, additional information resources and technical assistance available to businesses, and an opportunity to ask questions and provide feedback to staff. A video recording of these forums is available online at www.SBrecycles.org;
- 3) Technical assistance to over 200 businesses, with a focus on medium to large customers, in an effort to maximize businesses' diversion before the new proposed rates take effect;
- 4) Utility bill messages to all ratepayers with information about the public forums and how to obtain additional information about the proposed new rates;
- 5) A direct mailing to all business customers in the City, with information on the proposed new rate structure, the public forums and how to reach staff and receive technical assistance;
- 6) Two new websites with detailed information on both the New Proposed Rates and Foodscraps Recovery and Composting in the Business Sector.

Overall, businesses were receptive to the proposed changes to rates and understood the issues surrounding the disposal of trash and the impacts to the Tajiguas Landfill. While our outreach did not and could not reach all businesses – particularly small businesses, which will see little, if any, changes in their monthly bills – staff believes there is a good understanding among businesses of the newly proposed rates as a result of the outreach efforts delineated above. In addition, many large businesses – those with 24 cubic yards of service per week or greater – have already been contacted directly by City staff and the remainder will be reached prior to the new rates taking

effect. Because these businesses could be the most impacted by the new rates if they take no action, staff has been working with them to explain the new rates and help them make the necessary changes to increase their diversion rate and reduce their costs.

Next Steps

If Council approves the proposed new rates for subsequent adoption and directs staff to begin the Proposition 218 noticing process for the proposed new rates for trash and recycling services in the business sector, staff will implement the following schedule:

Rate Change Noticing (via Utility Bills)	July 22– Aug 21, 2009
Receive Public Comment (45 Days)	Aug 21 – Oct 6, 2009
Conduct Rates Hearing at City Council	October 13, 2009
Present New Rates for Adoption at City Council	October 27, 2009
New Rates for Business Sector effective (if approved)	November 1, 2009

BUDGET/FINANCIAL INFORMATION:

Per the franchise agreements with both Allied Waste and MarBorg Industries, the City is required to maintain revenue neutrality when proposing fundamental changes to the structure of the rates for collecting municipal solid waste in the City. The proposed new business rates have been designed to be revenue neutral and pose no material financial impacts to the City or the franchised haulers.

SUSTAINABILITY IMPACTS:

Recycling municipal solid waste and the City's related efforts to divert material from landfill disposal have considerable beneficial impacts to the environment. The proposed new business rates contain increased financial incentives for business customers to divert recyclable, compostable and/or reusable materials from the trash. The United States Environmental Protection Agency has acknowledged and developed metrics that provide clear evidence of reduced greenhouse gas emissions through composting and recycling, which result in the creation of products using recycled feedstocks versus using virgin, natural resources. All of the activities of the 2008 Solid Waste Action Plan contribute to the City's goal of becoming a more sustainable community.

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APPROVED BY: City Administrator's Office