

STAFF REPORT

SUBJECT: Castillo St. Interchange \ Haley St. Property

MEETING DATE: June 17, 2010

AGENDA ITEM: 6A

STAFF CONTACT: Steve VanDenburgh, Fred Luna

RECOMMENDATION:

Authorize the chair to send a letter to the City of Santa Barbara requesting that the City reimburse SBCAG for excess property on Haley Street purchased with Measure D funds pursuant to the agreement executed by SBCAG and the City.

SUMMARY:

In March, the board received a report on the projected ending balance of Measure D funds. The report indicated that SBCAG expects to be reimbursed by the City of Santa Barbara for Measure D regional program funds used to purchase a property on Haley Street in the early 1990's that might have been needed for a Measure D interchange improvement project at 101/Castillo. The project was deemed infeasible and dropped at the City's request from the Measure D expenditure plan. The Haley St. property has been determined to be excess property, not needed for any public purpose. Pursuant to an agreement signed by the City and SBCAG when the property was purchased, SBCAG requested in 2006 that the City reimburse SBCAG for the Measure D funds, but no payment has been received. SBCAG is counting on the reimbursement to meet current Measure D commitments and ensure that the Measure D program ends with a positive balance. Chair Carbajal asked that an item be added to the agenda recommending board authorization to sign a letter requesting that the City act on SBCAG's reimbursement request. The letter will request reimbursement by September 30, 2010, the end of the first quarter of FY 2010/11.

DISCUSSION:

The Measure D program adopted by voters in 1989 included a project to reconstruct the Highway 101\Castillo Street interchange in downtown Santa Barbara. To preserve rights of way that may have been needed for this project, even before the environmental document was completed, the City of Santa Barbara purchased the property for \$850,000 at 319 W. Haley Street on May 22, 1990 from an owner that voluntarily offered to sell it to the City. The City subsequently requested that SBCAG reimburse it for the purchase of the property since part of the property was expected to be necessary to construct the measure-funded interchange project. SBCAG contributed \$573,057 in Measure D regional program funds toward the purchase in the form of a reimbursement to the City for the part of the property expected to be used for the project. The terms of the reimbursement were incorporated into a cooperative agreement signed by the City and SBCAG on March 5, 1991.

At the request of the City, SBCAG approved an expenditure plan amendment in 1993 to delete the project from the Measure D regional program because the project had been determined to be infeasible through the environmental study process. The remaining Measure D expenditure plan allocation for the project was then transferred to the Highway 101\La Cumbre interchange project to fund a budget shortfall and allow it to be completed in 1997. Since that time the City has maintained ownership of the property and sublet it as a parking lot via a long-term lease and lease payments have been shared with SBCAG.

According to the cooperative agreement, the City agreed that if substantial progress was not made on or before September 1, 1996 toward delivering the Castillo interchange project, it would consult with SBCAG about the future of the project and if a project did not appear feasible within a reasonable time period, the City would dispose of the property and repay SBCAG for its contribution plus 50% of any realized appreciation. Alternatively, the City could retain ownership of the parcel and repay SBCAG its share of the purchase amount plus 50% of the property's appreciation based on its estimated current value.

When the issue of selling the property was discussed by City and SBCAG staff in 2005, City staff expressed concern that the property might be needed for a future reconstruction of the Castillo Street interchange and selling it could require buying it back at a higher price in the future. There are, however, no plans to reconstruct the Castillo interchange that would require use of the subject property. There is no funding programmed for reconstruction of the interchange in Measure A, the STIP or Caltrans' SHOPP program. Consequently, the 319 W. Haley St. property won't be needed for an interchange project in the foreseeable future and the funds from the sale of this property are needed by SBCAG to complete projects in the Measure D regional program and ensure the program ends with a positive balance.

SBCAG staff has requested on a number of occasions, beginning in 2005, that the City fulfill the cooperative agreement requirement to repay SBCAG for its contribution to the purchase of the property plus 50% of the property's appreciated value. The first request made in writing to the City Administrator by SBCAG's Executive Director came in October 2006. However, the City has not paid SBCAG back, nearly 3.5 years later. A chronology of the Haley St property is attached.

Since that request was made, nearly half the time that has elapsed has been spent by the City council deciding between keeping the property or selling the property. Upon deciding to sell the property, the City has indicated they have an obligation to offer the property for sale on a right-of-first-refusal basis to a non-profit organization, and this has complicated and extended the City's sale of the property. The elapsed time, and changing market conditions, has resulted in at least three appraisals or appraisal reviews having been conducted to determine the property's value since SBCAG submitted its request in writing. The amount of reimbursement paid to SBCAG based on a sale or appraisal at this time will likely be lower than if the property had been sold or valued when the request for repayment was made in October 2006.

SBCAG staff has suggested several options that the City could pursue to reimburse SBCAG per the agreement. First, according to the agreement, the sale of the property is not a prerequisite of SBCAG being reimbursed. The City could repay SBCAG (and have SBCAG quit any claim to the property) so that SBCAG can apply the Measure D funds toward completing measure projects. This would allow the City to take its time deliberating whether to sell or retain the property and negotiating a purchase agreement if it decides not to retain the property. Second, the City could request that SBCAG use funds currently programmed by SBCAG to another project to provide the Measure D reimbursement. A third option would be for the City to use a

portion of its share of STP funds that are unclaimed or not currently programmed to a specific project for the reimbursement.

Impact on Measure D Program and Projects

In a report to the board in March, staff indicated that the projected ending balance for Measure D is \$1.078 million. This projection included an assumption that SBCAG would receive a repayment of approximately \$500,000 for the Haley Street property; the repayment was treated as anticipated revenue in the projection. A table showing remaining revenues and expenditures from the March staff report is included as Attachment 1. As the end of the measure program approaches (the collection of Measure D revenues by the State ended on March 31, 2010), the Haley repayment becomes more critical to maintaining program cash flow and ensuring a healthy ending balance. It is conceivable that if repayment is not made in the near future, and our expenditures on the Milpas project are higher than expected (right of way appeals are pending, for example), the Milpas project and the Coastal, Clean Air and Valley Express transit services could be impacted.

RECOMMENDATION

It has been 3.5 years since SBCAG staff made a request in writing to the City Administrator for repayment according to the terms of the agreement. On nearly a monthly basis since 2006, SBCAG staff has inquired with City staff about the status of a reimbursement. As we approach the end of the Measure D program, delayed repayment is potentially jeopardizing the program's cash flow and positive ending balance.

Staff recommends that the Board Chair be authorized to send a letter to the City requesting repayment by September 30, 2010 (the end of the first quarter of FY 2010/11).

COMMITTEE REVIEW: None.

Attachments:

1. Measure D Regional Program Projected Ending Balance
2. Castillo St.\Haley St. Chronology

Attachment 1
Measure D Regional Program
Projected End Balance Summary

Category	Amount (millions)
Fund Balance (as of 1/31/10)	\$0.536
Anticipated Revenues	
Est. Regional Program Sales Tax Receipts (through 6/30/10)	\$2.900
Haley Street Property Reimbursement by City of Santa Barbara	\$0.513
Reimbursement by Measure A for Election Costs & Strategic Plan	\$0.547
Subtotal Revenues	\$3.960
Anticipated Expenditures	
Debt Service	\$0.719
Measure D Project Support	\$0.315
Highway 101 \ Milpas Hot Springs	\$1.350
Highway 154 Group II Project	\$0.115
Coastal, Valley, Clean Air Express	\$0.664
Measure A Strategic Plan – Unbilled as of 1/31/10	\$0.100
Measure D Legal Services	\$0.150
Measure D Close Out Audit Report	\$.005
Subtotal Expenditures	\$3.418
Projected End Balance	\$1.078
Potential Expenditures & Liabilities	\$1.078 +



Projected End Balance (Adjusted for potential expenditures and liabilities)	\$0
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Attachment 2 Castillo St.\Haley St. Chronology Highlights	
Measure D Program adopted by voters	November 1989
City of Santa Barbara makes speculative purchase of property @ 319. W. Haley for \$850,000.	May 22, 1990
Cooperative agreement between City and SBCAG signed. SBCAG agrees to pay City \$573,057 from Measure D regional for share of Haley property that is expected to be used for Castillo interchange project.	March 5, 1991
Project determined to be infeasible; City requests that Castillo project be deleted from Measure D Expenditure Plan.	April 1993
SBCAG sends letter to City requesting that City initiate steps to dispose of property. Appraisal of property done = \$675,000.	May 1993
City sends letter to SBCAG indicating that appraisal had been completed and property value had depreciated significantly.	July 1993
SBCAG sends letter to City indicating that City should upgrade permits to maximize potential valuation for property but that due to lower appraisal value sale of property could be delayed.	August 1993
Coop agreement requires City and SBCAG to consult on feasibility of project and if project not feasible, City must repay SBCAG. Property determined infeasible in 1993.	On or before September 1, 1996
Based on interest from the City of SB Housing Authority in purchasing property for housing development, City requests approval from SBCAG to have appraisal completed. SBCAG concurs. City staff directs appraisal to be done. Appraisal = \$495,000.	October 1996
City obtains appraisal on property as it considers selling part of the property to Housing Authority and keeping part leased for parking. Appraisal = \$505,000	Early 1997

SBCAG informs City that sale of property to Housing Authority was unacceptable due to low appraisal. SBCAG also first requests reimbursement of its share of the lease revenues collected by City since 1990 for parking lot.	July 1997
City explores various offers to sell property. Portions of property considered for potential Haley\Castillo intersection project and modification to Castillo\101 interchange at Haley Street. Neither project advances.	1997 - 2005
During a meeting held for the Milpas Hot Springs Operational Improvements project, SBCAG requests that City reimburse SBCAG for its share of lease payments collected by City (plus interest) for subletting property as parking lot.	July 2005
SBCAG sends letter to City (J. Kemp to J. Armstrong) to request back lease payment. SBCAG also formally requests that City reimburse SBCAG for its share of the property based on the provisions in the cooperative agreement.	October 4, 2006
City Public Works Director sends SBCAG letter indicating City intends to sell the property and matter will be agendized in June 2007 for council action. Indicates that under a lease agreement with a tenant, the tenant has the first option to purchase the property.	April 18, 2007
City staff request City Council initiate possible sale of property based on SBCAG request. Council requests appraisal and other information for evaluation by Finance Committee.	June 19, 2007
City completes noise study to determine future zoning changes that may be required and hazardous waste study to determine any clean up necessary prior to sale.	August 2007
City begins discussions with Work Training Programs (WTP) who has "right of first refusal" for purchase of property as a result of their lease-hold interest in the adjacent property.	August 2007
SBCAG informed that City would offer sale of property to WTP which is a 501(c)(3) non-profit and thus would not likely garner the best sale price versus placing property on open market.	August 2007
City transmits copy of appraisal on 319 Haley. Property value \$640,000.	October 30, 2007
SBCAG retains services of independent appraiser to review City appraisal; review finds City appraisal deficient.	November 20, 2007

SBCAG staff attend City Council Finance Committee meeting to discuss Haley property and importance of SBCAG being repaid promptly so funds can be used to deliver other measure projects.	December 11, 2007
City pays SBCAG back lease payments of \$225,000 plus interest, and commences paying SBCAG its share of monthly lease payments. Funds are deposited in Measure D regional account and used for regional program obligations.	January 2008
City Council approves City staff recommendation unanimously that "...a subsequent Council session determine the disposition of the Property and funding of the repayment to SBCAG of the \$573,057 purchase funds"	January 15, 2008
City Council votes to keep the property and re-pay SBCAG.	June 11, 2008
Appraisal completed by Reeder, Gillman and Million. Total valuation established at \$735,000. SBCAG's share of valuation based on formula in cooperative agreement is \$512,557.	April 2009
Executive Director meets with City Administrator and proposes options that City could utilize to repay SBCAG.	October 12, 2009
SBCAG presents Measure D ending balance to TTAC and Board which includes an estimate of revenues to be received from the City for the Haley property in the amount of \$512,557.	March 2010