



Legislation Text

File #: 12-311, **Version:** 1

Staff Report for Review and Approval of Letter of Intent from City of San Leandro to San Leandro Unified School District Related to a Loan from the City to the District to Finance the District's Purchase of Property in the City of San Leandro

RECOMMENDATIONS

The City Manager recommends that the City Council approve the attached Letter of Intent (LOI), and direct the City Manager to commence negotiations with the Superintendent of Schools for the San Leandro Unified School District to effect the terms and intentions of the LOI.

BACKGROUND

The District is cooperating with Alameda County on a Federal grant application to obtain funding for a school based health center ("Grant"). In order to meet certain funding criteria for the Grant, the District must demonstrate that it intends to purchase real property for purposes of operating the health center.

The City is interested in loaning the District monies out of the City's General Fund reserves to assist in the purchase of real property for the health center. The interest rate, term, and other provisions of the loan would be negotiated by and amongst the Parties. The City understands that the District intends to pay back the City's loan in one or more of the following ways, as permitted by applicable law:

- Payment from District development impact fees; or
- Other means approved by the Parties, including possible dedication of parcels of real property by the District to the City.

DISCUSSION AND ANALYSIS

Under this Letter of Intent (LOI) the City would loan the District one million five hundred thousand dollars (\$1,500,000.00) from City General Fund reserves. The loan would be subject to a favorable market interest rate, a defined pay off term, penalties for late payment, and default provisions for non-payment, all of which would be determined by negotiation, and eventually memorialized in a loan agreement that would be subject to review and approval by the City Council and the Board of Education. The District has stated that funds to repay the City loan over the defined term would come primarily from developer impact fees. The Parties would also negotiate a payment by the District of \$200,000 as a show of good faith to pay back the loan. The parties have also discussed other considerations to pay off the loan, including the transfer of District property to the City.

If the City Council approves the LOI, and authorizes the City Manager to commence negotiations, the City expects that the San Leandro Unified School District Board of Education will take action in

response to the proposed LOI on July 17, 2012.

ATTACHMENTS

- Letter of Intent to Cindy Cathey, Superintendent, San Leandro Unified School District

PREPARED BY: Chris Zapata, City Manager; Richard Pio Roda, Assistant City Attorney, City Attorney's Office