



Legislation Text

File #: 14-231, **Version:** 1

Staff Report for a Loan to the Davis Street Family Resource Center in the Amount of \$1.5 Million for the Purpose of Funding Start-Up Costs to Provide Health Services to Eligible Patients

SUMMARY AND RECOMMENDATION

Staff recommends that the City Council authorize the City Manager to negotiate and execute a loan agreement with the Davis Street Family Resource Center in an amount not to exceed \$1.5 million, an interest rate not to exceed 4.5% per annum and a final maturity not to exceed two years.

BACKGROUND

Throughout its 24-year history, the Davis Street Community Center, Incorporated, doing business as the Davis Street Family Resource Center (DSFRC) has responded to the needs of San Leandro's most vulnerable families. By providing those services that allow families to survive and flourish, DSFRC has become a key leader in guiding its client-families out of poverty and into productive lives. Adding to a service matrix that includes child care, free acute medical care, mental health supportive services, family and domestic abuse counseling, emergency food, clothing, housing assistance, and utilities support, in 2014, DSFRC is adding a full service primary health care clinic to meet its clients' health needs.

The Davis Street Primary Care Clinic (the PCC) will allow sick children, including those who are customers in its child care facilities, to be immediately seen by a physician; patients seen in the PCC with uncontrolled diabetes, for example, can be taken by nutrition counselors to the adjacent Food Bank and guided toward selecting healthier meal choices. The addition of the PCC, which is directly attached to a dedicated Family Resource Center, will provide another community resource for citizens needing a helping hand.

DISCUSSION

The DSFRC is seeking a loan of \$1.5 million, from the City of San Leandro, to cover operating costs for the first 24 months of operation of the new PCC. Due to changes in the reimbursement structure at the U.S. Department of Health and Human Services, the lag-time for initial reimbursement of new federally-qualified health centers is averaging 19 - 23 months, after which time, centers are reimbursed on a quarterly basis. This loan will be repaid as soon as federal reimbursement is received, and it is possible that the entire amount requested will not be required if the federal reimbursement schedule is accelerated. As security for the loan, DSFRC will pledge the building it owns at 1190 Davis Street, which is used as a child care center. A recent appraisal indicates a value of this collateral at \$1.7 million.

As of June 30, 2013, DSFRC had drawn down \$300,000 of an available **\$350,000** line of credit provided by Wells Fargo Bank (Bank) at a per annum interest rate of five percent. DSFRC has

indicated that the Bank is unwilling to extend the \$1.5 million needed to fund the start-up costs.

There are strict default provisions that would accelerate all loan monies to come due if a non-payment, late payment or other default by the DSFRC occurs. The City will have no maintenance, insurance or upkeep responsibilities for the property to be purchased.

With this Loan, the City will complete a recent round of initiatives aimed toward improving the health of City residents. Other commitments include \$3 million to preserve San Leandro Hospital's emergency room, \$1.2 million loan for San Leandro Unified School District's acquisition of the Girls Inc. building to provide health services to District students and the recent \$169,000 commitment to Building Futures for services to end homelessness in the City.

Legal Analysis

The City Attorney drafted the Loan Agreement, Promissory Note, and First Deed of Trust in compliance with all generally and specifically applicable laws and regulations.

Fiscal Impact

\$1.5 million is available from the General Fund unrestricted assets. Currently, these assets, if invested in the Local Agency Investment Fund (LAIF), yield 0.23%. The 4.5% interest rate for the DSFRC Loan would provide a favorable rate of return for the City's investment.

ATTACHMENTS

Attachments to Resolution

- Deed of Trust
- Promissory Note
- Loan Agreement

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