

AN ORDINANCE 2010-12-09-1029

**AUTHORIZING THE EXECUTION OF A NON-BINDING
MEMORANDUM OF UNDERSTANDING BETWEEN THE
CITY OF SAN ANTONIO AND THE SAN ANTONIO
INDEPENDENT SCHOOL DISTRICT FOR A PROPERTY
EXCHANGE AND ACCOMPANYING DUE DILIGENCE.**

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WHEREAS, the City of San Antonio, Texas (“City”) and the San Antonio Independent School District (“SAISD”) have held ongoing discussion regarding SAISD’s administrative needs and both parties’ shared interest in inner city revitalization; and

WHEREAS, in an effort to reduce costs and increase efficiencies SAISD proposes to consolidate their operations into a single facility leaving other SAISD owned property available for alternative uses; and

WHEREAS, the City is seeking to initiate the revitalization of the inner city by renovating an existing structure, commonly known as the Friedrich Complex; and

WHEREAS, improvements to the Friedrich Complex located east of downtown on Commerce Street has been identified as a catalytic project (the “Project”) which could house the SAISD headquarters bringing over 400 employees into the neighborhood; and

WHEREAS, both parties would benefit by engaging in a transfer or exchange of real property in order to facilitate construction of this Project and have negotiated a Memorandum of Understanding to explore the transaction, whereby each will provide a fifty (50%) contribution not to exceed \$100,000 for due diligence, securing an option contract and employing a third party to assist in developing the transaction; and

WHEREAS, the City Council finds that it is in the interest of the City, SAISD school children and residents and all San Antonians to continue efforts in developing this transaction; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1: The City hereby authorizes the City Manager or her designee to execute a non-binding memorandum of understanding with SAISD. A copy of this agreement will be attached and incorporated into this Ordinance as **Exhibit 1** upon execution by the parties.

SECTION 2: The amount of \$100,000 is appropriated for this ordinance in Fund 29086007, Cost Center 0703290001, General Ledger 5201040 and the Fiscal Year 2011 Budget is amended to reflect this change.

XPR
12/9/10
Item #26

SECTION 3: Payment not to exceed the budgeted amount is authorized to and should be encumbered with a purchase order.

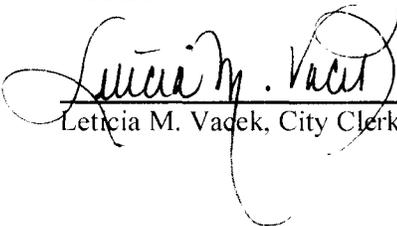
SECTION 4: The financial allocations in this Ordinance are subject to approval by the Chief Financial Officer (CFO), City of San Antonio. The CFO may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific Cost Centers, WBS Elements, Internal Orders, General Ledger Accounts, and Fund Numbers as necessary to carry out the purpose of this Ordinance.

SECTION 5: This Ordinance shall be effective immediately upon passage by eight affirmative votes; otherwise, it shall be effective on the tenth day after passage.

PASSED and APPROVED this 9th day of December, 2010.

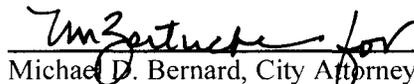

MAYOR
Julián Castro

ATTEST:

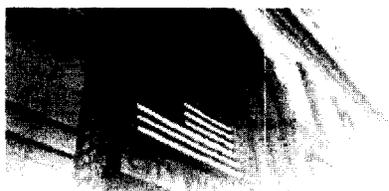


Leticia M. Vadek, City Clerk

APPROVED AS TO FORM:

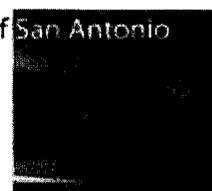


Michael D. Bernard, City Attorney



Request for
COUNCIL
ACTION

City of San Antonio



Agenda Voting Results - 26

Name:	26						
Date:	12/09/2010						
Time:	11:15:24 AM						
Vote Type:	Motion to Approve						
Description:	An Ordinance authorizing a non-binding Memorandum of Understanding between the City and San Antonio Independent School District for due diligence related items associated with a potential property exchange between the parties, to include the Friedrich property. [Pat DiGiovanni, Deputy City Manager / Interim Director, Center City Development]						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor	x					
Mary Alice P. Cisneros	District 1		x				
Ivy R. Taylor	District 2		x			x	
Jennifer V. Ramos	District 3		x				
Philip A. Cortez	District 4		x				x
David Medina Jr.	District 5		x				
Ray Lopez	District 6	x					
Justin Rodriguez	District 7		x				
W. Reed Williams	District 8			x			
Elisa Chan	District 9		x				
John G. Clamp	District 10			x			

MEMORANDUM OF UNDERSTANDING

This non-binding Memorandum of Understanding (this "MOU") is entered into on this 21st day of December, 2010, by and between the City of San Antonio, a Texas home-rule municipality ("City") and the San Antonio Independent School District ("SAISD"), a political subdivision of the State of Texas. Together, the City and SAISD may be referred to herein as the "Parties." And, individually, the City and SAISD may be referred to as "Party."

The City and SAISD have engaged in preliminary discussions concerning a proposed project that would consist of the transfer and/or exchange of real property between the Parties and result in the relocation of SAISD's central administration office (the "Project"). The Project will benefit the citizens of SAISD, the schoolchildren of SAISD, and the citizens of the inner city of San Antonio. This MOU outlines certain general parameters under which the City and SAISD would be willing to pursue the negotiation of a detailed binding definitive agreement (the "Definitive Agreement(s)") on the Project encapsulating all commitments, obligations and responsibilities of the Parties. This MOU is not, nor is it intended to be, an exhaustive or complete discussion of the terms and conditions set forth herein or of any prospective agreement, but is only intended to provide a non-binding framework for focusing negotiations for a future Definitive Agreement(s).

Subject to the foregoing and the other provisions hereof regarding the non-binding nature of this MOU, the following are general parameters pursuant to which the City and SAISD would commence negotiations on a future binding agreement:

I. Background

A. In an effort to reduce costs and increase efficiencies, which ultimately benefits the schoolchildren of SAISD, SAISD is seeking to consolidate its central administration operations onto a centrally located property in move-in condition.

B. The City is seeking to revitalize an area of the inner city that includes real property located in the 1600 block of East Commerce, commonly known as the "Friedrich Complex." This property is comprised of approximately 533,000 sq. ft. of buildings on approximately 6.52 acres of land and has been identified by the community as a "catalytic project" whose renovation is essential for the revitalization of the area.

C. To meet the Parties objectives, the City would consider acquiring the Friedrich Complex and renovating sufficient space to meet the requirements of SAISD to house its central administration operations. Following completion of said renovations, the City and SAISD would transfer properties of equivalent value and SAISD would be granted full use of the Friedrich Complex for a time certain followed by fee-simple ownership.

D. The goals of the Parties are: a) to initiate the revitalization of the area by renovating an existing structure identified as a "catalytic project;" b) to stimulate economic activity to the area by relocating a substantial number of SAISD employees to the Friedrich Complex; c) to achieve cost savings and efficiencies by relocating SAISD administration operations to a centrally located property; and d) to add current tax-exempt property onto

the tax rolls with the possibility of creating jobs in the inner-city. It is anticipated that achieving these goals will be mutually beneficial to the Parties as well as the community at large.

II. The Friedrich Complex

A. Under the terms and conditions of a future Definitive Agreement to be negotiated between the Parties, the City would acquire the Friedrich Complex and provide for the renovation of an identified amount of space within the Friedrich Complex, facade improvements, demolition, environmental remediation and parking.

B. The City anticipates funding the acquisition and renovation of the Friedrich Complex through a variety of funding sources including Tax Increment Financing, New Market Tax Credits, federal grants and/or loans, funds generated from the City's parking revenue and other lawful sources. The utilization of such programs may entail holding requirements, covenants and/or encumbrances that would attach to the property for a specified period of time.

C. Following acquisition and renovation, SAISD would occupy the Friedrich Complex, subject to any holding requirements, covenants and/or encumbrances in accordance with Article II(B) above, and conduct its business activities on the property to include its central administration operations. It is understood by the Parties that upon meeting any holding requirement, covenant and/or encumbrance, SAISD would own the Friedrich Complex in fee simple.

III. SAISD Properties

A. In consideration of the City's acquisition of the Friedrich Complex, its renovation in accordance with the terms and conditions of a Definitive Agreement, and, ultimately, the transfer of fee simple ownership of the Friedrich Complex to SAISD, SAISD would seek to transfer ownership in SAISD properties that are determined by the Parties to be of equal value as the anticipated improved value of the renovated Friedrich Complex. These properties proposed by SAISD may include:

- SAISD Central Offices (4 parcels known as 141 Lavaca; 620 Matagorda; 211 Lavaca and 215 Lavaca)
- SAISD Facilities/Operations Office Acreage (5 parcels known as 1702 N. Alamo; 1215 Austin; 1103 Austin; 1110 Austin; 1111 Austin)
- Bowie Center (439 Arbor Place)
- South Presa Acreage (72 Acres on the 9300 Block; 12.6 Acres at 9227 S. Presa)
- Lord Road Property (12.8 Acres on the 4900 Block)

- Jupiter Street Property (4.6 Acres on the 2300 Block)

The listing of the properties above does not preclude the Parties from mutually agreeing to remove, add or exchange additional SAISD owned properties.

IV. **City and SAISD Financial Commitment**

While this MOU is intended to be non-binding and preliminary to the Definitive Agreement, the Parties seek to share in the costs associated with undertaking the due diligence process, to include the research, development and implementation of an action plan to achieve the objectives of this MOU. The City and SAISD each agree to contribute fifty-percent (50%) of necessary and reasonable costs for conducting property due diligence, securing an option contract on the Friedrich Complex, and employing a third-party consultant/project manager to assist in developing the transaction between City and SAISD. In no case shall these costs exceed ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) for either Party. The Parties shall mutually select the third-party consultant/project manager and determine the due diligence necessary for acquisition of the Friedrich Complex. If, during the due diligence process, SAISD determines the Friedrich Complex is unsuitable for its purposes, SAISD may discontinue its financial commitment hereunder by sending written notice thereof to City.

V. **Non-Binding**

With the exception of the financial commitments made in Article IV, this MOU is intended to be non-binding and is entered into solely for the purpose of providing a framework for future negotiations between the Parties. The execution and delivery hereof by the City or SAISD shall not, and does not, create any contractual rights or obligations to enter into the Definitive Agreement, nor shall the submission or acceptance of this MOU constitute any offer by any party to enter into any future transaction with the other or bind any party to pursue a transaction with the other concerning the subject matter of this MOU. No Party hereto shall have any obligations unto the other until such time as the Definitive Agreement is fully negotiated, drafted, executed and delivered by and between them. Furthermore, with the exception of the financial obligations undertaken in Article IV of this MOU, any Party may, at any time prior to the execution and delivery of the Definitive Agreement, abandon discussions concerning the subject matter of this MOU without liability.

VI. **Conditions Precedent**

It is understood by each respective Party that the any obligations or representations made in this MOU are subject to the approval and authorization of each Party's governing body.

VII. **Public Announcements**

All press conferences, press releases and other public statements or announcements regarding the Parties' activities, the specific terms of this MOU, the

negotiation or existence of the Definitive Agreement, or the status thereof will be made jointly by the Parties.

VIII. **Entire Agreement**

This MOU embodies the entire agreement between the Parties and supersedes all prior agreements, whether oral or written, relating to the subject hereof.

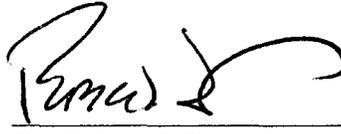
IN WITNESS HEREOF, the parties hereto have caused this MOU to be executed by their duly authorized officers as of this the 21st day of December, 2010.

For the **City of San Antonio**:

For the **San Antonio Independent School District**:

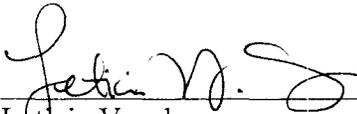
for 

Sheryl L. Sculley
CITY MANAGER



Dr. Robert J. Duron
Superintendent

ATTEST:

for 

Leticia Vacek
City Clerk



APPROVED AS TO FORM:



Michael D. Bernard
City Attorney