

MEMORANDUM OF UNDERSTANDING

This non-binding Memorandum of Understanding (this "MOU") is entered into on this _____ day of _____, 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 _____ day of _____, 2010.

For the **City of San Antonio:**

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

Sheryl L. Sculley
CITY MANAGER

Name:
Title:

ATTEST:

Leticia Vacek
City Clerk

APPROVED AS TO FORM:

Michael D. Bernard
City Attorney