

DATE ISSUED: October 2, 2002 REPORT NO. 02-222

ATTENTION: Honorable Mayor and City Council
Docket of October 7, 2002

SUBJECT: Master Agreement Between City and San Diego Unified School District for the
Acquisition and Disposition of Real Property Interests

SUMMARY

Issues - Should the Mayor and Council approve the Master Agreement between City and San Diego Unified School District for the acquisition and disposition of real property interests.

Manager's Recommendation - The City Manager's staff recommends the Mayor and Council approve the Master Agreement between City and San Diego Unified School District for the acquisition and disposition of real property interests.

Other Recommendations - Natural Resources and Culture Committee recommended unanimously to approve the Master Agreement on September 18, 2002.

Fiscal Impact - \$500,000 will be identified as an annual appropriation from the Capital Outlay Revolving Fund.

BACKGROUND

For the last 18 months, City staff and the San Diego Unified School District ("District") have been discussing a Master Agreement for the acquisition and disposition of real property interests utilizing a master ledger account that would eliminate the exchange of cash. The terms of the Master Agreement have been finalized and agreed upon. It is anticipated that the Master Agreement will be presented for consideration by the Mayor and Council as well as the School Board within the next 60 days.

DISCUSSION

From time to time, the City and the District need real property owned by the other entity for certain projects. Negotiations of the property rights can sometimes be a contentious and lengthy process. In addition, funding for the projects often competes with other priorities leaving limited funds available for land acquisition.

City and School District staff have embraced the concept of the Master Agreement as a model of

cooperation and creativity. The mutual benefits that can be realized by eliminating the need for a cash transfer will ensure that all transactions are expeditiously processed.

When a property is identified, the other entity will be notified and the valuation process will commence. Specific timelines then dictate how the transaction will proceed, ultimately resulting in the transfer of the property rights and an accounting of the value on the master ledger.

Numerous issues related to the Master Agreement have been identified, discussed and resolved including the master ledger accounting, valuation methodology and dispute resolution. At any given time, the difference between the two sides of the ledger may not exceed \$500,000. Transactions will be brought forward that tend to balance out in terms of valuation. An amount of \$500,000 will be appropriated on an annual basis to backstop the agreement in order to comply with legal requirements of the State Constitution. However, it is envisioned that this amount would not be expended unless the agreement is terminated and the ledger is out of balance by this amount.

Staff from both entities look forward to utilization of the Master Agreement for several immediate transactions and those which will follow in the years to come.

ALTERNATIVE

Do not approve the Master Agreement between City and San Diego Unified School District for the acquisition and disposition of real property interests.

Respectfully submitted,

William T. Griffith Approved: Bruce Herring
Real Estate Assets Director Deputy City Manager

GRIFFITH/sb

Attachment: [Master Agreement](#)