

District receives Shores payment

City bank loan source of funding

BY JIM KERR
Staff Writer

Closing another chapter in a long saga, the city of Del Mar on Nov. 13, wired a \$3.6 million payment to the Del Mar Union School District that completes obligations on an \$8.5 million purchase of the district's Ninth Street or Shores property.

Earlier in the day, the city also closed financing on a three-year, \$3.8 million dollar loan with Union Bank of California to cover the payment.

The Shores story is not quite complete though. City officials still expect that community organizers with Friends of Del Mar Parks will continue to raise funds to reimburse the city for its loan. The group will now have up to three years to do so.

"This has been an odyssey," Deputy Mayor Crystal Crawford said. "But we (council) knew all along that raising \$8.5 million was the largest undertaking this city has done by far. We knew from the beginning that fundraisers had a challenge, as did they. But we felt in the long term, the purchase of this last remaining open space was important."

Crawford said she had every expectation fundraisers would succeed. If that was not the case, she said the city might consider going to voters with a bond measure. The next available general election for such a measure would be 2010.

Saving a park

Issues surrounding the Shores purchase are by now familiar to Del Mar residents.

After the school district declared the 5.3 acres as surplus property over two years ago, a groundswell of community support arose to save the site from

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a sale to the highest bidder.

Containing open space areas including a baseball field used by Little Leaguers and dog enthusiasts and the Winston School for students with learning challenges, the site became the focus of intensive negotiations between the city and the district.

They culminated in June 2007, with a purchase agreement made under the assumption that all monies would come from fundraising.

In May, faced with the possibility that the Friends group might miss a payment deadline and \$3.5 million still owing, the City Council authorized a promissory note with the district.

Another fundraising shortfall culminated with this month's bank loan.

"At the end of the day the level of risk was worth getting this property," Del Mar City Councilman Richard Earnest said. "While I don't like to borrow money, especially in this environment, this was crucial. This was a very good investment."

Good business

At the Nov. 10 City Council meeting where details of the bank loan were finalized, council members continued to emphasize that the loan, made in a less than optimal credit world, made good business sense. The loan was repeatedly characterized as simply refinancing a debt.

Mayor Dave Druker re-

minded the public that the promissory note had an interest rate of about 5 percent, while the Union Bank loan was fixed for one-year at a 3.06 percent LIBOR rate.

"We are trading one debt for a smaller interest rate," he said. "I think we can make an argument that this is a prudent financial decision."

Creative financing

A new wrinkle in the loan deal, revealed at that meeting, has the city participating in a rather complicated lease/lease-back arrangement.

Under its terms, a portion of its Public Works yard is being leased to a nonprofit financing corporation, the Public Property Financing Corp. of California, which will then sublease the property back to the city. The city in turn will pay rent on the property and under an assignment agreement the rents will then be redirected to Union Bank.

For participating in the lease, Public Property Financing will make about \$5,000.

The leasing scenario is a common way of avoiding California constitutional limitations that preclude cities or other governmental entities from entering into multiyear payment agreements and incurring too much debt. Lease/lease-backs are often used by school districts to fund school construction projects, such as when the city purchased the Del Mar Library and Powerhouse Community Center properties.