

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

November 3, 2003

## Subject

Public Hearing for Potential Loan to the Police Activities League

## Recommendation

It is recommended that the City Council hold a public hearing, as required under Section 147(f) of the Internal Revenue Code, to provide the City with the option of loaning up to \$1.5 million of bond proceeds to the Police Activities League.

## Background

The Police Activities League (PAL), which is a non-profit entity organized pursuant to 501(a)(3) of the Internal Revenue Code (Code), is constructing a facility at 3399 Bay Road in Redwood City to provide educational and recreational activities to Redwood City's youths. The PAL is experiencing a \$1.5 million shortfall in the financing needed to complete construction of this building. PAL officials have contacted the City and have requested financial assistance from the City in this regard.

The request from PAL is for the City to guarantee a loan from Bay Area Bank to PAL. PAL will then attempt to raise the \$1.5M from a capital fundraising campaign or grants. If the City ever wanted to loan money to PAL or give a matching grant, then it is necessary to hold this public hearing. Rather than putting general fund resources at risk for the loan guarantee (which are needed to cover the City's projected operating deficits in future years), staff recommends that these funds be obtained through the planned issuance of Public Financing Authority bonds.

In order to loan proceeds from the sale of tax exempt bonds to a non-profit agency, the Code requires the City to hold a public hearing for purposes of obtaining comments and questions from concerned residents. Holding the hearing does not obligate the Council to make the proposed loan; the hearing merely keeps this option open for the Council. No Council action is required at this hearing other than to listen to any comments or questions that concerned members of the public may have.

## Alternative

Should Council elect not to hold the recommended public hearing, the Council will be foreclosing the option to provide a loan or grant to the PAL from bond proceeds. The Council's only other alternative, should Council desire to assist PAL, would be to make a loan or an outright grant to PAL from general fund resources (non-bond proceeds).

## Fiscal Impact

There is no fiscal impact associated with this hearing. Again, PAL is only asking for a loan guarantee from the City. Should the City Council elect to loan any funds to the PAL, a loan agreement will be presented to Council at a later date which will contain the terms and conditions of such loan.

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