

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: DAVID GUHIN, ASSISTANT CITY MANAGER  
PLANNING & ECONOMIC DEVELOPMENT  
SUBJECT: AMENDMENT TO MEMORANDUM OF UNDERSTANDING (MOU)  
BETWEEN THE CITY OF SANTA ROSA AND SANTA ROSA CITY  
SCHOOLS TO ALLOW ALTERNATIVES TO CONSTRUCTION OF  
AFFORDABLE HOUSING OR SCHOOL FACILITIES ON FIR  
RIDGE DRIVE, LOT "F" (APN 173-620-030)

AGENDA ACTION: STUDY SESSION

---

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the City Council receive the report from City staff and provide comments and direction regarding the proposed amendment to Memorandum of Understanding (MOU) between the City of Santa Rosa and Santa Rosa City Schools to allow alternatives to construction of affordable housing or school facilities on Fir Ridge Drive, Lot "F" (APN 173-620-030).

---

EXECUTIVE SUMMARY

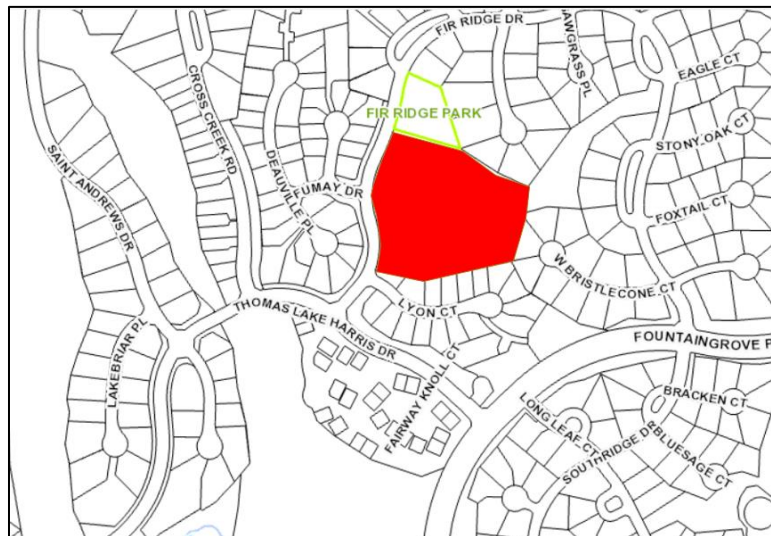
The City of Santa Rosa ("City") and Santa Rosa City Schools ("District"), are parties to an Agreement regarding development of the Fir Ridge site, Lot F ("Site"), located in the City of Santa Rosa (APN 173-620-030). Pursuant to the original subdivision approvals, the Site is designated for development of either an elementary school or low and/or moderate-income housing. In 2016, Council approved a Memorandum of Understanding ("MOU") to extend the term of the Agreement to allow the District to continue working toward developing affordable housing on the Site. However, in the aftermath of the October 2017 Tubbs and Nuns Fires, the area surrounding the Site sustained significant damage which led the City and District to discuss alternatives to construction of affordable housing or school facilities on the Site. These alternatives include:

1. City and District extending the current MOU to allow the District additional time to fulfill its obligations under the MOU;
2. District transferring title of the Site to the City for City's development or facilitating development of affordable housing;

3. District selling the Site to a third party and using proceeds to develop or participate in a low and/or moderate-income housing project for District employees on a different site within the City limits; or
4. District selling the Site and using the proceeds to create a revolving fund Loan Program to provide down payment assistance for District employees to purchase homes in the City.

## BACKGROUND

When the Fir Ridge North at Fountaingrove Subdivision was approved in 1987, a condition of its development was the dedication of an approximately 7-acre site for development of either an elementary school, or low and/or moderate-income housing, pursuant to the Fountaingrove Ranch Planned Community District Policy Statement adopted by the Council in 1981 (Fountaingrove PC Policy). A 6.03-acre site on Fir Ridge Drive was ultimately set aside for the purpose and identified as Parcel “F” on the subdivision Final Map recorded in June 1988 (Site). The Site is adjacent to Parcel “E” on the Final Map (Attachment 2 and highlighted below), a neighborhood park site now developed as Fir Ridge Park.



In April 1988, the City and Braewood Development Corporation (Braewood) entered into an Agreement that, in lieu of Braewood receiving a fair market value payment for dedication, the Site was exempted from reassessment of the 1983 improvement bonds. The Agreement provided for a Holding Agreement to be recorded in conjunction with the Final Map, which would allow time for the Santa Rosa City Schools (“District”) to determine whether it wished to acquire the Site for development of an elementary school and to negotiate purchase of the Site from Braewood.

The Holding Agreement was subsequently executed by the City and Braewood in May, recorded in August 2, 1988, and included the following terms:

- Transfer of the Site from Braewood to the City upon recordation of the Final Map.
- A four-year negotiation period expiring August 1, 1992, for the School District to purchase the Site from Braewood for a maximum price of \$237,000.
- If the School District did not acquire the Site during the negotiation period, the City was to offer dedication of the Site to the School District, which would have until August 1, 1993, to accept the dedication offer, subject to Braewood's right to bring action to seek higher compensation.
- If the School District did acquire the Site during the negotiation period, it would then have until August 1, 1998, 10 years after the date of the Holding Agreement, to begin construction of a school, or determine that the Site is not needed for school purposes.
- If the School District did not acquire the Site and begin construction of a school by the 1998 deadline, the City would have the right to use the Site for low- or moderate-income housing, provided that the City or one of its agencies entered into a binding agreement within five years for construction of the affordable housing.
- Braewood had the right to ultimately recover title to the Site if the City's five-year time period expired without entering into an agreement for construction of affordable housing. Braewood would then have no further liability for dedication of the Site and would be permitted to use the Site for an alternative use compatible with the abutting residential uses as provided by the Fountaingrove PC Policy.

Between 1988 and 2015, the Holding Agreement was amended twelve times (see Attachment A for the full timeline of the Amendments), and in or about 2003, District and City entered into the "Fourth Amendment to Holding Agreement" ("Fourth Amendment") to allow District to use the Site to develop affordable housing for its employees. The Fourth Amendment further provided that if District did not develop affordable housing on the Site, and the City exercised its right to use the Site for low and/or moderate-income housing, the City would make reasonable efforts to provide a preference to qualified District employees for at least fifty percent (50%) of any residential units it constructed on the Site.

On June 28, 2016 City and District entered into a Memorandum of Understanding ("2016 MOU") to extend some of the deadlines set forth in the Twelfth Amendment to Holding Agreement ("Twelfth Amendment") for an additional three years, such that the deadline by which the District must commence construction of affordable housing for lower income District Employees on the School Site is June 30, 2020. The 2016 MOU states that, the City Manager shall have the authority and discretion to act on behalf of the Council to extend these milestones further if the project is progressing substantially. Should this situation arise, the City and School District agreed to execute and record an agreement that effectuates this extension. Furthermore, in the event the District fails to meet the agreed upon milestones set forth in the Twelfth Amendment, such failure shall

“make the title to the School Site recoverable by the City through the exercise of the power of termination in the Holding Agreement.” See Attachment 3 to review the full terms of the 2016 MOU.

### PRIOR CITY COUNCIL REVIEW

See Background and Attachment A for prior Council review.

### ANALYSIS

Since the approval of the 2016 MOU, the District has been unable to commence construction on the site. In addition, the 2017 Tubbs and Nuns Fires significantly damaged the Fountaingrove neighborhood surrounding the Site, adding additional complexities in development of the property. Staff will be presenting the following proposed alternatives for Council’s consideration and direction in determining what options should be pursued on the Site.

### Alternatives

The District has initiated discussions with the City to discuss alternatives to developing the Site with affordable housing for District Staff and to aid in fulfilling the District’s goal of attracting and retaining teachers and classified school staff members during a state-wide teacher shortage. These alternatives include:

- 1) City and District extending the current MOU to allow the District additional time to fulfill its obligations under the MOU;
- 2) District transferring title of the Site to the City for City’s development or facilitating development of affordable housing;
- 3) District selling the Site to a third party and using proceeds towards:
  - a) the development or acquisition of low and/or moderate-income housing units for District employees in alternate locations within the City limits, or
  - b) funding a revolving down payment assistance program (“Loan Program”) for District employees who wish to purchase housing within the City.

The following sections provide further descriptions about the aforementioned alternatives for Council to consider and provide direction for staff. Each of the proposed alternative options would include a backstop for the City to ensure compliance of the agreed upon terms of the MOU and intent of the original Holding Agreement.

#### **1) Extension of 2016 MOU**

Previous agreements, including the 2016 MOU, included language that the District would construct affordable housing for lower income District Employees on the School Site. Pursuant to the 2016 MOU, the deadline by which the District must commence

construction of affordable housing for low to moderate income District Employees on the School Site is June 30, 2020. An extension of the MOU would enable the District to continue pursuing housing construction on the Site.

The tentative subdivision map associated with the previously proposed housing project on the Site and all related land entitlements have expired. Any future development proposal on the Site must acquire the appropriate land use and development approvals as defined by the City Code, General Plan or any applicable specific plans. In addition, development proposals on the Site shall pay any applicable application fees associated with the development proposal, as well as any required impact fees.

## **2) Transfer of Title from District to City**

If the District decides that it is not interested in developing or selling the site as described in the various options, the District could transfer title of the Site to the City. In such event, the City could have the right to develop the Site for low and/or moderate-income housing and the City shall make reasonable efforts to provide a preference to qualified District employees for at least fifty percent (50%) of any residential units constructed.

Furthermore, if the City exercises its rights to obtain title to the Site, the City could consider the option of selling the Site and using all proceeds to finance construction of low income and/or moderate-income housing units on alternative sites in the City limits.

## **3) Sale of Fir Ridge Site**

If the District sells the Site to a third party, the Council could consider requiring the District to deposit all proceeds ("Proceeds") received from the sale, less any customary fees or costs required to close the transaction, into a separate account to be used for financing the construction or acquisition of housing for District employees or, as another alternative, to create a Loan Program for District employees. Each of these options is described in more detail below.

If the District is unable to fulfill either option, the Council could require the District to provide 100% of the Proceeds to the City. In such event, the City could use the Proceeds to finance construction of low and/or moderate-income housing units and make reasonable efforts to provide a preference to qualified District employees for at least fifty percent (50%) of any residential units constructed.

### **3.a. Development or Acquisition of Housing Off Site**

If the District chooses to sell the site, the Proceeds could be used for financing the construction of low and/or moderate-income housing units for District employees in alternate locations within the City limits. This would involve partnership with a developer to create the units or to obtain units in an active development project. Initial

conversations with proposed development projects in the downtown have indicated that there is interest in this approach to support new transit-oriented development projects.

### **3.b. Proposed Down Payment Assistance Program**

The other option should the District sell the Site is the creation of a Loan Program, to be funded with Proceeds from the proposed sale of the Site. Should the Council direct staff to proceed with this option, the following are optional terms for consideration and direction:

- 1) District could create and implement the Loan Program, including:
  - a) Establishing qualification criteria for assistance under the Loan Program, which would comply with all Federal, State and Local laws and be limited to District employees with households with qualifying household income; and
  - b) Ensure that the units and/or Proceeds remain a viable resource for District employees through a Resale Restriction Agreement recorded against the property which outlines the occupancy requirements of the unit, and the disposition of loan proceeds in the event of the sale of the property, default, or payoff of the loan.

#### Eligibility Threshold Scenarios

The City and District have considered whether (and to what extent), to limit the qualifying household income of employees seeking assistance from the Loan Program based upon the original intent of the Holding Agreement. The following are potential Income Threshold scenarios for consideration:

- No Threshold
- Traditional Low to Moderate-Income Threshold (80-120% AMI)
- 150% AMI Threshold
- Alternative Threshold based on defined income level in District Salary Schedule

The District has provided a letter with an analysis (Attachment 4) of the potential impact of these options on eligibility of District staff based on the makeup of the District and current salary schedules.

#### FISCAL IMPACT

This action does not have a fiscal impact on the General Fund.

#### ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the

environment, pursuant to CEQA Guidelines section 15378(5).

NOTIFICATION

Not applicable

ATTACHMENTS

- Attachment 1 – Timeline of Holding Agreement
- Attachment 2 – Fir Ridge Drive Site Map
- Attachment 3 – 2016 Memorandum of Understanding
- Attachment 4 – Letter from Santa Rosa City Schools (District Analysis)
- Presentation

CONTACT

David Guhin, Assistant City Manager, (707) 543-4299  
[dguhin@srcity.org](mailto:dguhin@srcity.org)