



Attachment 4

Diann Kitamura, Ed.D.
211 Ridgway Ave
Santa Rosa, CA 95401
Ph: (707) 890-3900 ext. 80101
E-mail: dkitamura@srcs.k12.ca.us

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David Guhin
100 Santa Rosa Avenue
Santa Rosa, California 95404

RE: MOU Regarding Fir Ridge

Mr. Guhin:

As you know, Santa Rosa City Schools ("District") and the City of Santa Rosa ("City"), have historically been parties to a "Holding Agreement" whereby they each hold certain rights to the Fir Ridge site ("Site") a property located in the City of Santa Rosa (APN 040-070-21).

Most recently, the Parties agreed in 2016 to allow the District to continue working toward developing workforce housing on the Site. Since that time, a lot has happened, including the Tubbs and Nuns fires, which significantly damaged the surrounding neighborhood. Nevertheless, the District continued to meet with various developers regarding the development of the Site, but discovered that although it is not entirely impossible to develop housing on the Site, such housing could not be developed in a way that could create the most efficient price discount to employees, and would provide a limited, one-time benefit.

The City currently would have the right (if construction of workforce housing by the District was not timely commenced) to re-take title to the site, develop it with Low and Moderate Income Housing. If the City did this, it would be required to take reasonable efforts to make ½ of the units available to school employees. However, if the City did not so develop the site within 5 years, title to the Property would revert back to the School District *with no restrictions* requiring development of employee housing. *However*, the development of this particular Site by *either* District or City for low and/or moderate-income housing would not yield an efficient result.¹

While development of this particular Site would not be an efficient result for either Party, the District genuinely wants to develop price discounted housing for its teachers and classified staff.

The District and City staff have explored various options that include the sale of the Site, including:

¹ The following reasons make such development practically infeasible: (1) the Site is not geographically near any significant commercial centers that would be needed by residents, such as post offices, banks, supermarkets, healthcare facilities, day care, public schools or recreational facilities; (2) the topography of the Site creates additional construction costs which, in turn, compromises the affordability of development on the Site; (3) the School Site is not geographically near to public transportation and therefore would not benefit from funding opportunities made available to affordable housing projects proximate to transit; and (4) there are no employment centers reasonably near to the School Site.

- the use of the proceeds for development or acquisition of housing units in a more practical location; or
- use of the proceeds to fund a *revolving down payment assistance program* for school employees.

All of these options remain open.

The District has not made a final decision as to whether it will use the funds as a down payment assistance program, but based on staff surveys and comparisons to other opportunities, it appears that such a program could be the highest, best use of the proceeds from the sale of the Site for current employees and in perpetuity. A down payment assistance program could be a significant asset to the District in its goal to attract and retain great teachers and school staff members during a state-wide teacher shortage.

Issue 1: Limiting Income For School Employees

A question has arisen regarding whether (and to what extent), to limit the household income of employees seeking to qualify for any of the workforce housing options discussed above that the District may ultimately choose to pursue. It appears that the original Holding Agreement (which is now more than 30 years old) sought to develop the site for Low and Moderate Income housing (as traditionally defined). However, as discussed in the scenarios detailed below, the District does not believe this is the best outcome.

Scenario 1: Traditional Moderate Income Threshold (120%AMI)

Scenario 1 (120% AMI)		
# of Certificated employees working in household	Income Limit	Certificated Employees Potentially Benefitted ²
1	\$78,350	382
2	\$89,550	0

As demonstrated in the chart above, using the *highest* allowable low and moderate income level (120% AMI) **would preclude all two-teacher households from using the program.** The District do not believe this was the spirit of the parties' original agreement, and believes this is not the best outcome for schools.

Scenario 2: 150% AMI Threshold

Scenario 2 (150% AMI)		

² The calculations herein are approximate, and are based on currently available information. Our number of employees and their related salaries change. The analysis herein is limited to full time employees.

# of Certificated employees working in household	Income Limit	Certificated Employees Potentially Benefitted
1	\$97,950	748
2	\$111,975	0

Additionally, while using 150% AMI would make many single -teacher households eligible, **it too would eliminate all two-teacher households from using the program.**

Scenario 3: A Different Approach

Scenario 3 - 10 year teacher salary (Class VI Step 10)		
# of Certificated employees working in household	Income Limit	Certificated Employees Potentially Benefitted
1	\$75,552	323
2	\$151,104	646

Scenario 3 would "cap" qualifying income to Class VI, step 10 on the District's salary schedule (which relates to ten-year teachers with Masters Degrees). It would allow households with two teachers at that income level to qualify. Practically speaking, it would still "cap" qualifying income to less than 120% AMI for *single* teachers, but it would not penalize two-teacher income households.

Use of the 10-year mark for teachers in our (and many) districts is not arbitrary. Most districts will give teachers credit for 10 years of experience on their salary scale, but not more. As a result, it is at the 10 year mark that we lose experienced teachers in whom we have invested years of training and team building.

In light of the foregoing, we ask that the Council allow the District the greatest degree of flexibility possible regarding employee income thresholds, preferably, using Scenario 3 above.

We understand that this exceeds the current "low" and "moderate" income standards used. However, we believe this is consistent with (and perhaps more favorable to workforce housing) the original intent of the Holding Agreement (which in the absence of development of affordable housing on the Site would revert the property to the school district with *no* restrictions). We also believe this is consistent with the then- and we believe current-goals of the City Council, which is to help Santa Rosa City Schools thrive and in doing so, help the City of Santa Rosa thrive.

Thank you for your consideration,