

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
BOARD PRESIDENT AND DIRECTORS OF THE SANTA ROSA
CITY SCHOOLS BOARD OF EDUCATION
FROM: DAVID GUHIN, ASSISTANT CITY MANAGER
RICK EDSON, DEPUTY SUPERINTENDENT
SUBJECT: FIRST AMENDMENT TO MEMORANDUM OF UNDERSTANDING
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: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by resolution, approve the First Amendment to Memorandum of Understanding 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

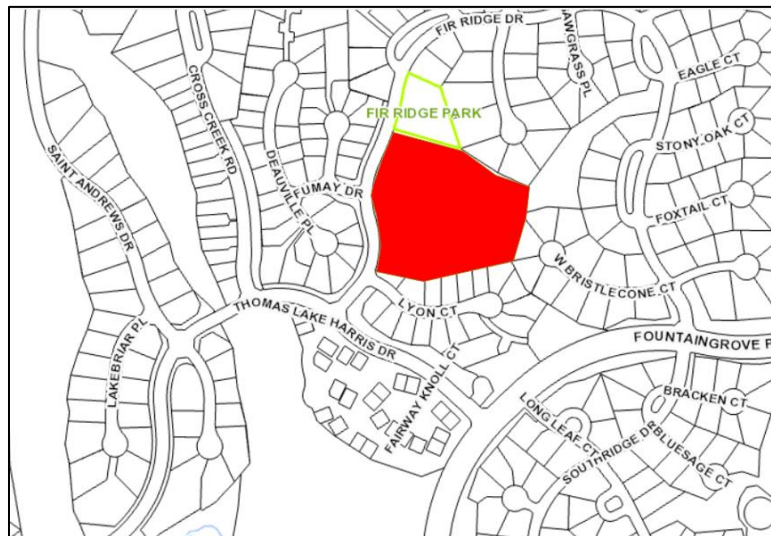
The City of Santa Rosa ("City") and Santa Rosa City Schools ("District"), are parties to a Holding Agreement regarding development of the Fir Ridge site, Lot F ("Site"), located in the City of Santa Rosa (APN 173-620-030). Pursuant to the original subdivision approvals, the Site is designated for development of either an elementary school or low and/or moderate-income housing. In 2016, Council approved a Memorandum of Understanding ("2016 MOU") to extend the term of the Holding 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 2016 MOU to allow the District additional time to fulfill its obligations under the 2016 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 Fountain Grove PC Policy.

Between 1988 and 2015, the Holding Agreement was amended twelve times (see Attachment 1 for the full timeline of the Amendments), and in or about 1994/1995, the District acquired all of Braewood's remaining rights and interests in the Site including, but not limited to, the right to regain title to the Site in the event District and City did not use the Site for school or for low and/or moderate-income housing purposes. 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.

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. The District 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. During a study session with Council on October 1, 2019, staff presented the following proposed alternatives for Council’s consideration and direction in determining what options should be pursued on the Site.

- 1) City and District extending the 2016 MOU to allow the District additional time to fulfill its obligations under the 2016 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 for District employees who wish to purchase housing within the City.

PRIOR CITY COUNCIL REVIEW

See Background and Attachment A for prior Council review.

ANALYSIS

During the October 1, 2019 study session, the Council directed City staff to allow the District the most flexibility in fulfilling the intent of the original Holding Agreement and to work collaboratively with District staff to revise the conditions and extend the term of the 2016 MOU for an additional three years through June 30, 2022.

Terms of Proposed First Amendment to MOU

Pursuant to Council direction, the First Amendment to MOU includes the following options: 1) the District may pursue building housing units on the Site as defined in the 2016 MOU, or 2) the District may sell the Site and use the Proceeds towards a) financing the construction or acquisition of housing for District employees, or b) creating a down payment assistance loan program (“Loan Program”) for District employees.

Under either scenario, if the District decides to not use the Proceeds to finance the construction or acquisition of housing for District employees, or to create a Loan Program, then the District would be required to provide 100% of the Proceeds to the City within 12 months of the District's decision. If this were to occur, the City would use the Proceeds to finance construction of low and/or moderate-income housing units and would make reasonable efforts to provide a preference to qualified District employees for at least fifty percent (50%) of any residential units constructed.

1. Development on Site pursuant to 2016 MOU

The District may continue to pursue housing construction on the Site and would be required to notify the City of its intent to develop the Site with low to moderate-income housing for District employees within the three-year term.

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. Sell the Site and use Proceeds to develop housing or to create a down payment assistance program

The District may sell the Site with the requirement that the District will 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 option, to create a Loan Program for District employees. Each of these options is described in more detail below.

2a. Development or Acquisition of Housing Off Site

The Proceeds would be used for financing the construction or acquisition of housing units for District employees in alternate locations within the City limits. This could 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.

2b. Down Payment Assistance Program

The proceeds would be used towards the creation of a revolving fund loan program to provide down payment assistance to District employees. During the October 1, 2019, study session, the Council provided direction for the District to determine the eligibility criteria based upon what the District identifies to be the greatest benefit for their employees. The following are the terms should the District pursue this option:

- 1) District would 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; 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.

FISCAL IMPACT

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

ENVIRONMENTAL IMPACT

The 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. Any future development associated with this MOU will be subject to environmental review appropriate to the project proposed.

NOTIFICATION

Not applicable

ATTACHMENTS

- Attachment 1 – Timeline of Holding Agreement
- Attachment 2 – Fir Ridge Drive Site Map
- Attachment 3 – Proposed First Amendment to Memorandum of Understanding
- Resolution/Exhibit
- Presentation

CONTACT

David Guhin, Assistant City Manager

dguhin@srcity.org