



RAVENSWOOD
CITY SCHOOL DISTRICT

Former Flood School Site Lease Update

February 23rd, 2023

Executive Summary

- The City of Menlo Park recently approved their housing element and sent it back to the State for final approval. This included rezoning the Flood School Site (although some city-wide zoning details remain to be resolved).
- We are presenting the draft Option and Ground Lease Agreement with Alliant Strategic Development for public review.
- We believe that we will present the final version for board approval by the March 9th or February 23rd board meeting.
- The specifics of the project at the Flood School site remain as outlined:
 - 80-90 units of 100% affordable housing with a preference for teachers and staff.
 - The project would bring in moderate but meaningful amounts of revenue to the district.
- Affordable housing, and this project, are tightly defined and regulated, leaving little wiggle room in many aspects of the implementation of this contract.

Agenda

Project Overview

Project Rationale

Contract Overview

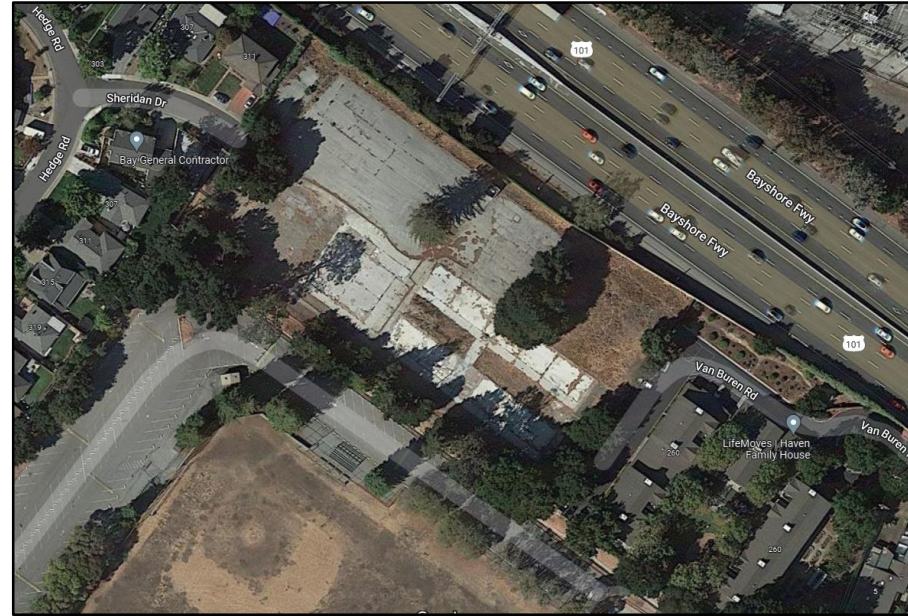
Next Steps

Project Overview

We are recommending proceeding with Alliant Strategic Development (ASD) for developing affordable housing at the former Flood School site

Project Overview

- Proposed investing \$50-60m in building a three to four story affordable rental housing with 80 to 90 units
- Housing would have a preference for Ravenswood teachers and staff who meet affordability eligibility benchmarks
- Would bring in ~\$300 - 500k annually (plus inflators) over the 90 year term
- Site was included in the recent citywide Menlo Park housing element
- We are exploring alternative entrances to the site, including one through the park and by Haven House



Project Overview

We have been actively working to lease two sites – 2120 Euclid and the Flood School Site – and communicate the why and the how about each

1 Ravenswood seeks bidder to lease closed Flood Park school campus
- Mercury News, 12/04/13

2 Ravenswood district to lease out district office, closed school site to help increase teacher pay
- The Almanac, 10/1/21

3 Ravenswood district seeks bids to lease two of its properties
- The Almanac, 10/29/21

4 Ravenswood teachers are receiving a 10% pay boost, bringing their salaries on par with nearby districts... Longer term, the district plans to lease two properties to cover the majority of the cost of compensation increases.
- The Almanac, 11/19/21

Altogether, Google News has been 70+ news stories mentioning housing at the Flood School Site

	2020				2021												2022											
	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Initial review of options																												
Board approves leasing exemption for flood site																												
Facilities study session																												
Board approves resolution to seek leases for the site																												
JLL begins site review and informal marketing campaign																												
Request for proposal process																												
Board approves teacher raises																												
Responses due and reviewed																												
Community engagement																												
Contract negotiations																												

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Project Rationale

We are seeking to use this property to address the local and staff housing crisis and to address regional funding inequities

Address Local and Staff Housing Crisis

Our recent survey on staffing housing needs found:

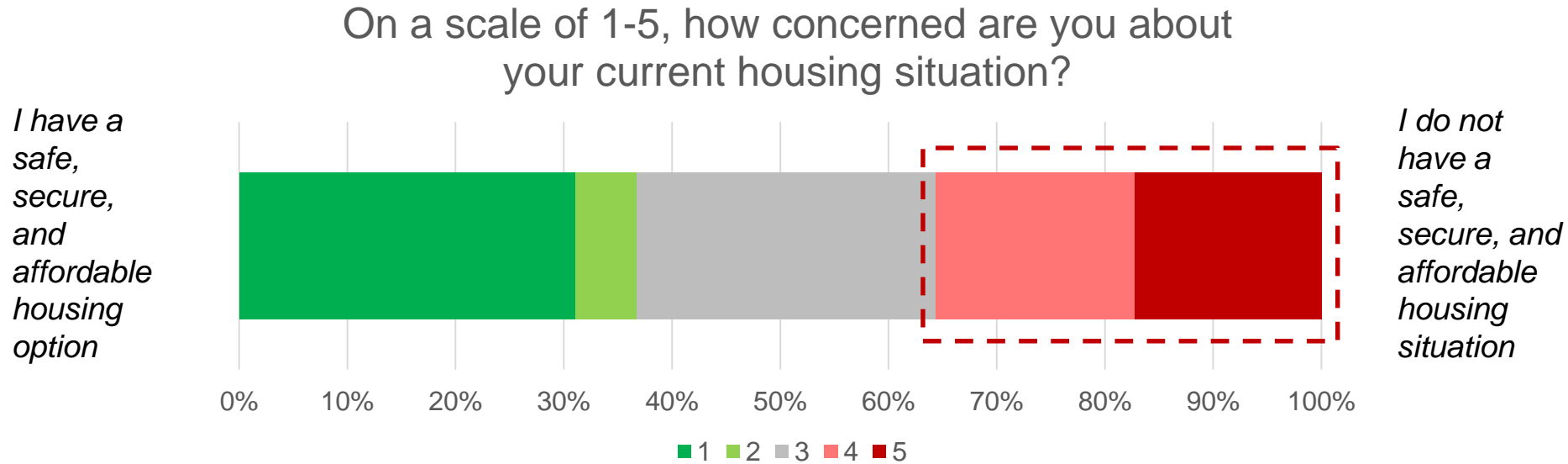
- 2% of our staff are unhoused
- Only a third had a “safe, secure, and affordable housing option”
- 43% of respondents are considering leaving the district because of the cost of housing or the length the of their commute
- 85% of respondents had incomes and household sizes that would make them eligible for affordable housing; of those, a further 85% are interested in workforce housing
 - Extrapolated to the district, we would need over 200 units of affordable housing to meet the needs of staff

Close Funding Inequities

- When accounting for need, we have the lowest base allocation in the county

Project Rationale

A third of respondents reporting having a “safe, secure, and affordable housing option”



Project Rationale

43% of respondents are considering leaving the district because of the cost of housing or the length of their commute

Are you considering leaving your current job because of...	% of respondents
... the cost of housing	20%
... the length of your commute	38%
Either the cost of housing AND/OR the length of your commute	43%

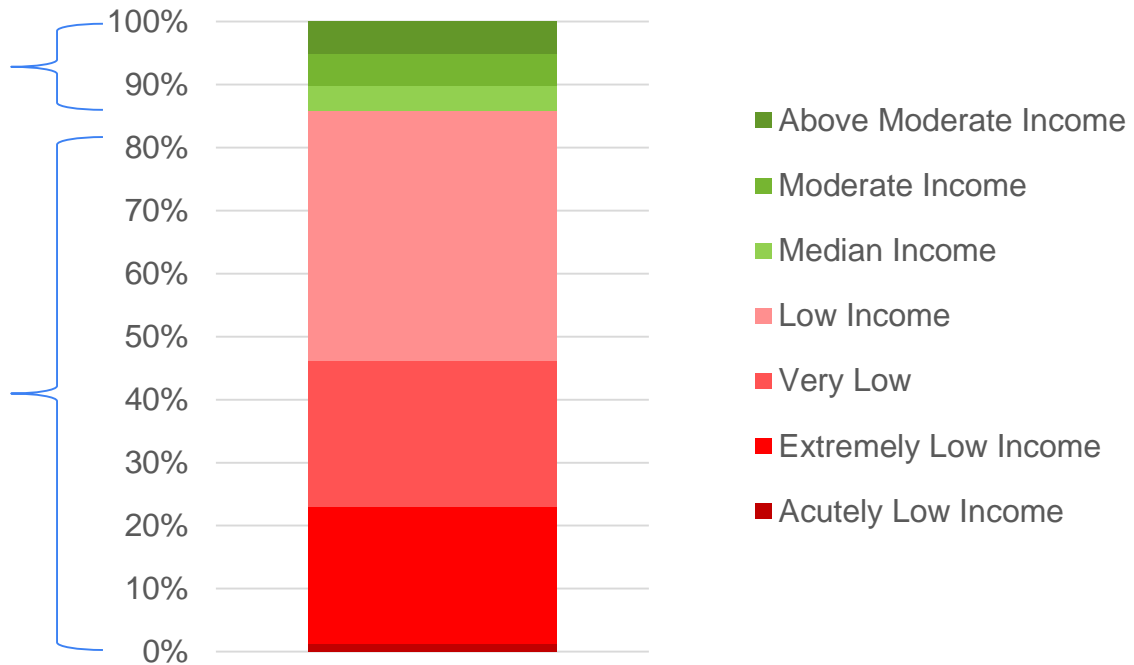
Project Rationale

From respondents reported income and household size, 85% are eligible for affordable housing

15% of respondents, based on reported household income and household size, would not qualify for affordable housing

85% of respondents have an income and household size combination that makes them eligible for affordable housing

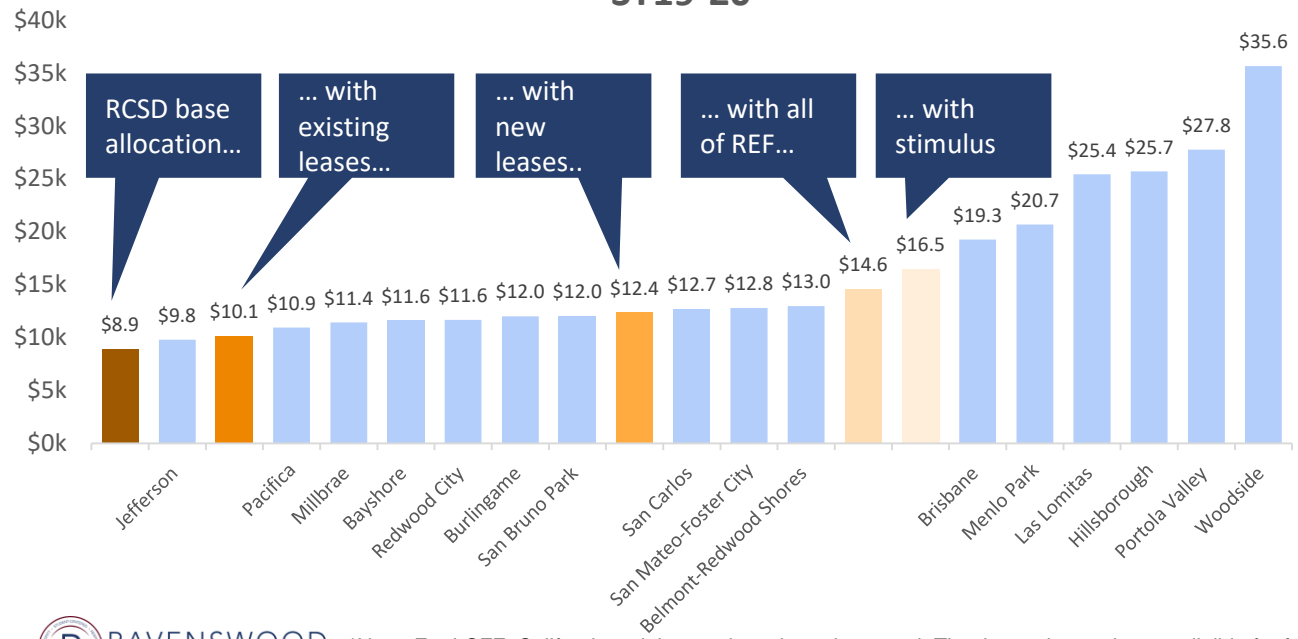
San Mateo Income Classifications



Project Rationale

Only with existing leases, the new leases, REF's record contributions, and the stimulus funds do we have a competitive level of funding in the county

RCSD Funds Per Weighted Pupil* by Scenario Across San Mateo, SY19-20



Takeaways

- When accounting for need, **we have the lowest amount of base funding per student in the county**
- With our existing leases, we have the second lowest amount of base funding in the county
- With **these new leases, we would be approximately average in the county**
- **Only with REF and the one-time stimulus funds are we in the top third (still nearly a third less than Menlo Park)**

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Document Overview

We have two documents – an “option” governing the permitting and development phase, and a ground lease governing the term of the lease

Option

Governs the pre-construction time when ASD is seeking relevant permits from the City of Menlo Park, engaging around design and project aspects, and finalizing the project's funding

Ground Lease

Governs the term, rent, construction of the project, use of the building, repairs and maintenance, and other standard aspects of a ground lease

Unlike other of our leases, affordable housing is highly regulated and prescribed by the state and federal governments. In addition to traditional lease terms, we can impose additional requirements. However, because of the requirements from federal and state governments, there is comparatively little contractual wiggle room.

Document Overview: Option

Our goal of the option period is to move quickly, and responsibly, to develop the site

Governs the pre-construction time when ASD is seeking relevant permits from the City of Menlo Park, engaging around design and project aspects, and finalizing the project's funding

Selected key terms:

- ASD puts down \$200k at signing; this is non-refundable once all city approvals are granted. If those approvals are not granted, either party can exit from the deal.
- Regardless, ASD must exercise the option within 39 months from signing. This is their outside date to meet all requirements.
 - There are various progress milestones that ASD needs to work towards throughout the agreement (and they need to show good faith effort in moving the project forward).

Document Overview: Ground Lease

Our goal of the ground lease is to ensure successful construction and firm guidelines for the full term of lease

Governs the pre-construction time when ASD is seeking relevant permits from the City of Menlo Park, engaging around design and project aspects, and finalizing the project's funding

Selected key terms:

Term: 90 year ground lease – Ravenswood will retain ownership of the land in perpetuity

Rent

- Initial payment of \$5.0m that covers the first 15 years of the lease (could be more if the district can identify 'soft money' or if interest rates change significantly).
- After that, the district will receive 19.42% of the gross collected rents. This will grow as rents grow and cannot dip below the prior three year average.
- If they sell the development, we would receive 25% of the sale proceeds.

Development & Management: They are responsible for all aspects of construction, utilities, maintenance, insurance, etc. The district has, effectively, no obligations to the operation of the site.

Document Overview: Ground Lease

Our goal of the ground lease is to ensure a successful project

Governs the pre-construction time when ASD is seeking relevant permits from the City of Menlo Park, engaging around design and project aspects, and finalizing the project's funding

Selected key terms:

Housing

- Federal affordability requirements fall off after 55 years - we are contractually keeping them beyond that period
- Teachers and staff have a guaranteed preference for the full term of the lease
 - When units open up, our staff would be 'first in line'
 - There is no district preference within this preference – that is, we cannot legally move any individual or set of staff to the front of the line

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Timeline

While agreeing to this lease represents a major milestone, we are years away from commencing construction

	Approximate Phasing	Milestone
Option		Parties sign option
	0	City finalizes zoning approval
	6 months later	Submit and iterate on application for discretionary project approvals to City of Menlo Park
	12 months later	Anticipated date of city approval of discretionary project approvals
	12 months later	ASD is successful in their application for state/federal affordable housing financing
	6 months later	ASD completes other conditions to closing
	6 months later	Exercise option to enter into the ground lease
All of the above will be completed in less than 39 months		
Ground Lease	1 month	Construction begins; district receives \$300k of initial rent
	18 months	Construction is completed and individuals move in; district receives \$4.7m
	15 years after on-set of ground lease	District begins receiving annual rent (19.42% of gross rents)

All of this is accompanied by sustained community engagement