

Dear Ravenswood –

As you likely know, we are [seeking to lease](#) (not sell) two underused sites: the former Flood School Site in Menlo Park and the current district office (2120 Euclid). Unlocking the revenue from these sites will allow us to invest at similar levels to our surrounding districts. This process has been underway for the last few years and recently culminated in a public request for proposals for both sites. We received a number of serious offers for both sites and have been reviewing them, including interviewing various parties, in consultation with the board and our facilities subcommittee.

Last night the board approved agreements to allow the district to enter into exclusive negotiations with two parties, one for each site. Below we outline – at a high level – the terms of each deal and why we are proceeding with them. You can see more specifics in the letters of intent on the board agenda last night.

To be clear, this is a major milestone but the process is not done. While these are the most promising proposals, we remain open to feedback or additional considerations while we continue to negotiate the specific terms of the deal. And it should be noted that even if the terms of the ground lease are finalized, there are still a number of processes that will happen before a building is completed and occupied on either site (which we detail out in the “what happens next” section below).

If you have any questions, we encourage you to reach out over email, visit our [leases website](#) (where you can also provide feedback), or join our public community meetings on this topic on January 27th (zoom link [here](#)).

Thank you for all that you do –

Will

William Eger (*he, his*)
Chief Business Officer



Why lease?

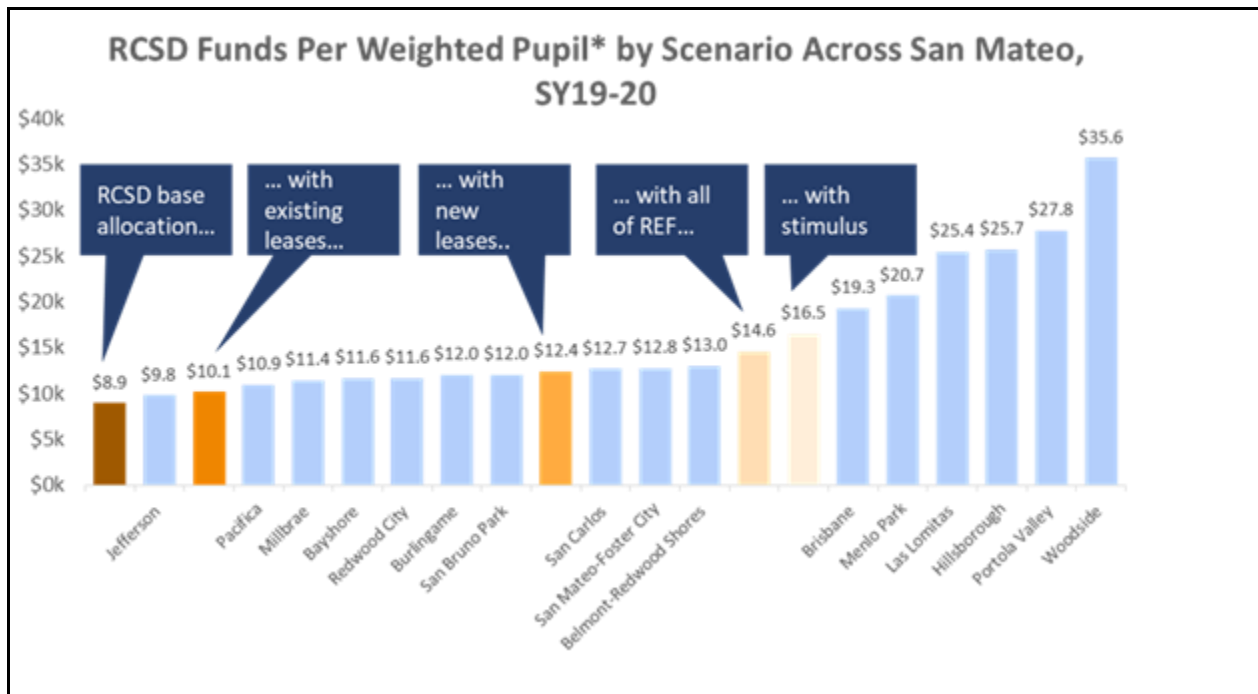
Ravenswood currently leases out nearly half of the property it owns across East Palo Alto and Menlo Park to organizations that serve a community benefit – the Boys and Girls Club, All Five, various charter and private schools, etc. RCSD also partners with the City of Menlo Park to maintain two fields accessible to the community (by Willow Oaks and Belle Haven), and is

exploring partnering with the City of East Palo Alto to do something similar for the fields at Costano, Belle Haven, and CCRMS.

We expect the leases to bring in a substantial amount of new funds each year – combined, they could be on the order of \$4-6m annually. For context, the Ravenswood Education Foundation (REF) was giving the district \$3m a year a few years ago. Today, they give approximately that amount, meaning that **these leases are equivalent to having an additional, and our own, REF.**

Another way to understand these leases is how it helps us be able to invest comparable amounts to other school districts in the county. A 2019 report from ERS found that Ravenswood is the only district in San Mateo County that does not have access to a high local tax base. For context, across San Mateo 40% of students are considered unduplicated - meaning that they are either English Language Learners, Foster youth, or eligible for reduced price meals. In Ravenswood, 94% of students are; all of our schools have over 85% of students eligible for free or reduced price lunch. **Of the other 150+ traditional public schools in the county, there is just one other school with more than 85% free or reduced price lunch.**

The graph below shows the implication of the current inequitable funding system. Without our existing or new leases, without REF, without stimulus funds, we would have about \$8.9k per weighted pupil – that is, accounting for student need. That is the lowest amount in the county, by far. It is less than half as much funding as neighboring Menlo Park City School Districts has. With our existing leases, and these new leases, **we have nearly 40% more funding per weighted pupil.** With REF's continued generosity and the one time stimulus funding we move to above average in the county, and close well over half the gap with Menlo Park.



Which proposals are we proceeding with?

The board authorized the district to hire JLL, one of the leading commercial brokerage firms, to conduct an open procurement process. They spoke with over a hundred developers interested in both sites. This culminated in a public procurement process – the RFP you can view on our website or may have seen in a newspaper. Each site received a number of legitimate proposals, and some were invited to interview. The board was involved in reviewing these various proposals and ultimately recommended entering into exclusive negotiations with two proposals, one for the Flood School Site and one for 2120 Euclid.

Flood School Site – Alliant Strategic

Alliant is a large affordable housing developer. They have developed over 23,000 affordable multi-family units across 60 cities in 16 states, an investment totaling over \$8 billion. They are proposing investing \$50-60m in creating a three to four story affordable rental housing that would have a **preference for Ravenswood teachers and staff**. This would be funded through various loan and state and federal tax incentives.

While the specific financial terms of the deal are somewhat complex, the district would see just over half a million dollars a year in rent income, as well as a few other financial incentives that make this proposal the most financially competitive as well as being the most mission-aligned.

2120 Euclid – Madison Capital

Madison is a large developer with offices in San Francisco and New York. They have done over 100 acquisitions and have an over \$3.1b portfolio. They are proposing creating a 7-8 story life science lab and office building (similar in size to the planned Sobrato building next door). Life sciences includes a wide range of fields including pharmaceuticals, biotechnology, nutraceuticals, biomedical devices, etc and is growing quickly due to biotech innovation, COVID-19, and the aging US population. The early design plans – subject to planning committee approval – include retail on the first floor and 20-40k square feet of additional and publicly accessible green space (e.g. expanding Bell Street Park). Madison is also focused on taking steps to minimize the carbon footprint of this site, (for example, they are seeking to achieve highest LEED certification, be 100% electric, have EV charging stations, etc.).

The specific financial terms are similarly complicated, **but they include a high base rent (\$1.5m) as well as substantial profit participation**. Altogether, we estimate that this could bring in \$2-5m annually depending on how profitable the property is. While the site is currently zoned for a building of this size, this project would still need to go through the entitlement process.

What happens next?

Although the board has authorized us to enter into exclusive negotiations with these two parties, that does not mean that a building will be going up in either site in the near term. The exclusive negotiation phase is largely symbolic, **it does not obligate the district to reach a deal nor**

does it bind either party to the proposed terms. It will likely take a couple of months for us to reach an agreement with a developer, which we would then bring back to the board.

If the board does approve this deal, the developer will then conduct 2-3 month-long diligence before the lease goes into effect. After that, they are locked into paying us some amount of money for the site – however, they can still back out from the deal if the next phase, gathering entitlements, does not work out (although this is somewhat unlikely). We expect that next phase to take a couple of years as they work through the various permitting processes and City approvals necessary to design and develop a large space.

We would expect the district to begin receiving material amounts of rent in 3-5 years when the building is built and occupied.