



Real Property Analysis – Phase II

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Cambrian School District



February 6, 2020



Agenda

- ❖ **Purpose: Address options to help solve Cambrian School District Monetary Issues**
- ❖ **Update since last Board Presentation**
- ❖ **Discuss Fire House**
 - New Information
 - Analysis
- ❖ **Metzler**
 - New Information
 - Analysis
- ❖ **Community Outreach – Process**
- ❖ **Budgets**
- ❖ **Recommendations**

Additional Due Diligence + Analysis

FIRE HOUSE

- Title report to ascertain matters of public record
- Civil Engineering Study – boundary survey
- Architectural Assessment of structure
- Meeting with City of San Jose Planning Department: land use matters
- City of San Jose Public Works: Preliminary Assessment
- Meet with District 9 City Council member & staff
- Options to consider to increase revenue
- Value assessment range confirmation
- Options to consider

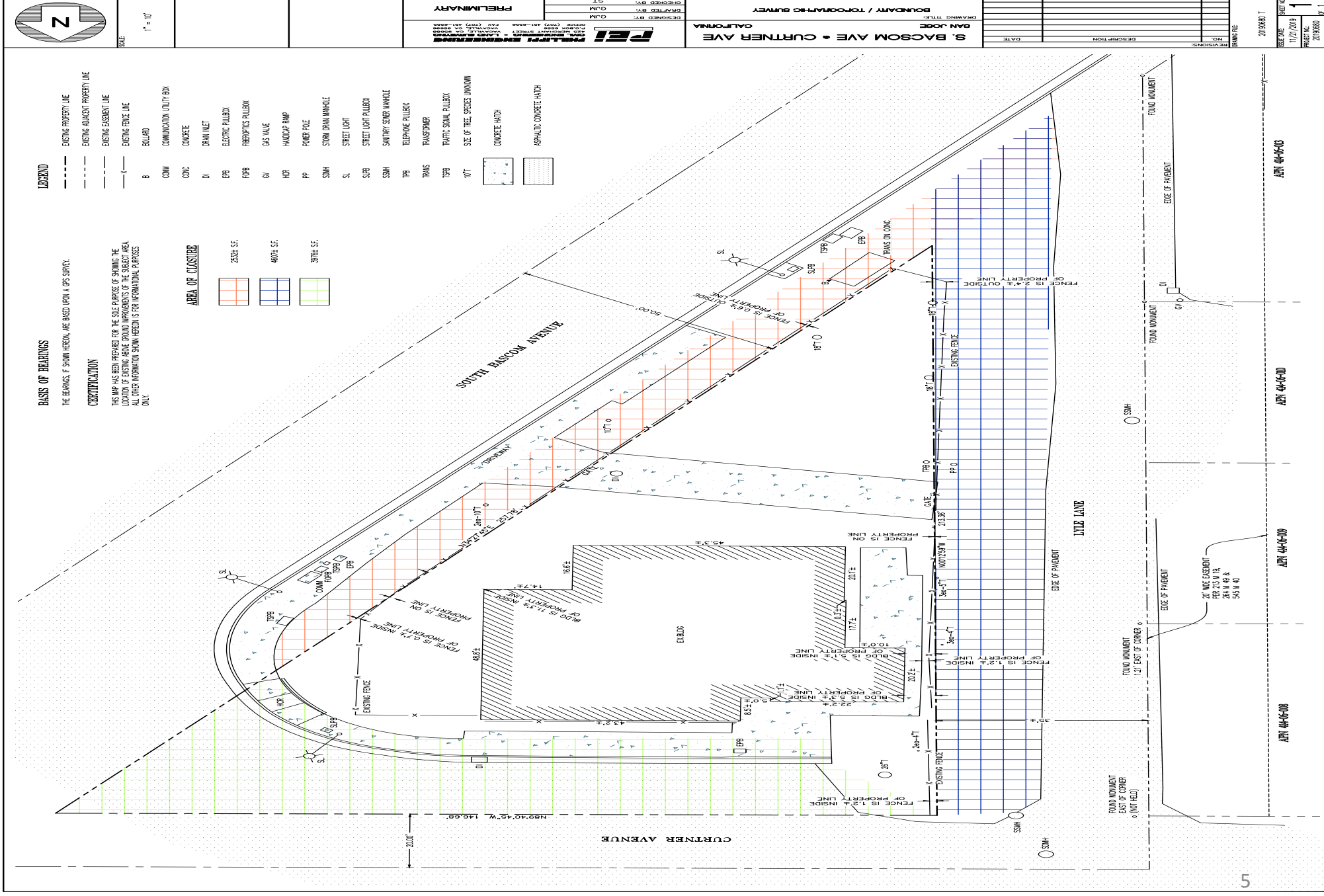
METZLER

- Title report to ascertain matter of public record
- Review of existing construction and site improvement plans
- Meeting with City of San Jose Planning Department: land use matters
- Meet with District 9 City Council member & staff
- Potential CDE issues to address with a re-use of the property
- Value assessment range confirmation
- Options to consider

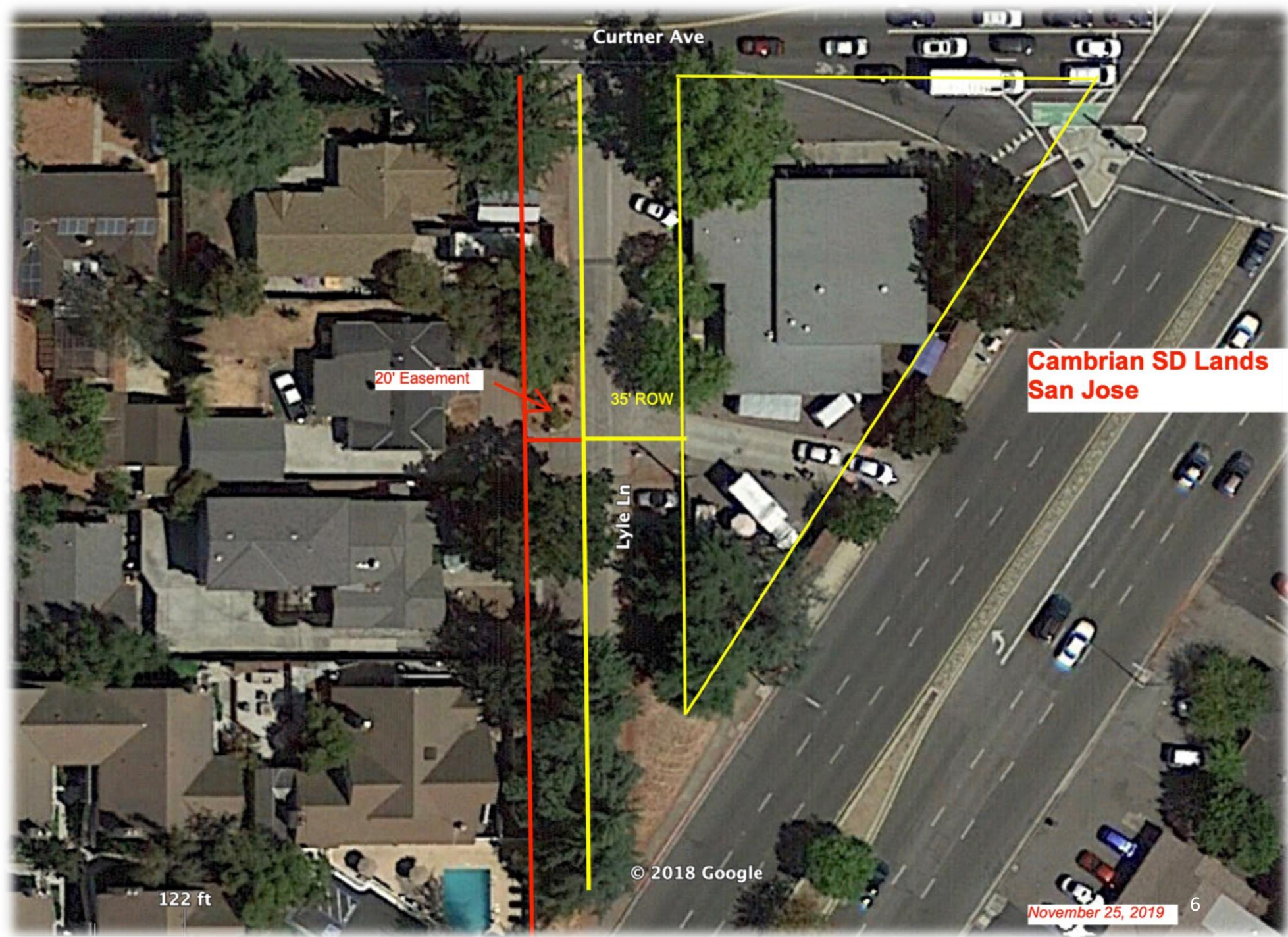
Fire House Summary

- **Market and site conditions limit the value of the property**
- **The property is worth more with the current building than as a complete redevelopment, however the building will require modernization in order to attract a new tenant**
- **To avoid capital outlay by Cambrian School District, the modernization costs can be negotiated with a reduction in rent**
- **Negotiations with the city of San Jose and/or Santa Clara County can expand the site square footage thereby increasing the potential revenue**

CIVIL SURVEY



Fire House Aerial



Architect Estimated Cost For Corrective Actions

Old Firehouse - Estimated Cost of Construction

Construction Item	Quantity	Unit	Cost	Total Estimated Cost Modernization
Site				
1. Parking and Traffic	3,800	sf	3	\$11,400
2. Site ADA Compliance	1	ls	30,000	\$30,000
3. Landscaping and Irrigation	15,000	sf	3	\$45,000
4. Fencing	150	lf	350	\$52,500
5. Site Utilities	15,000	sf	7	\$105,000
6. Main Electrical Service	0	ls	50,000	\$0
7. Storm Drainage	15,000	sf	5	\$75,000
8. Site Lighting	1	ls	15,000	\$15,000
9. Concrete Walkways	4,500	sf	20	\$90,000
Total Site				\$423,900
Modernization				
10. Quality of Exterior Siding/Material	1,200	sf	20	\$24,000
11. Existing Covered Entry	1	ls	15,000	\$15,000
12. Electrical Wiring	15,000	sf	5	\$75,000
13. Abatement	1	ls	25,000	\$25,000
14. Seismic Upgrade/Dry Rot	3,775	sf	4	\$15,100
15. Roofing	3,775	sf	20	\$75,500
16. Exterior Painting	3,775	sf	4	\$15,100
17. Building Insulation and Windows	3,775	sf	4	\$15,100
18. Exterior Doors and Hardware (Wall Infill)	1	ls	35,000	\$35,000
19. Cabinetry	30	lf	250	\$7,500
20. Restrooms/Partitions/Fixtures	2	ea	35,000	\$70,000
21. Interior Wall Finishes	3,775	sf	4	\$15,100
22. Flooring	3,775	sf	6	\$22,650
23. Heating Ventilating & Air Condit.	3,775	sf	10	\$37,750
24. Ceilings	3,775	sf	3	\$11,325
25. Interior Lighting	3,775	sf	6	\$22,650
26. Camera Surveillance	1	ls	1,200	\$1,200
27. Fire Alarm	3,775	sf	1	\$3,775
28. Existing Storage	1	ls	1,500	\$1,500
Total Modernization				\$488,250
Subtotal Site and Modernization				\$912,150
Construction Contingency (10% for Renovation)				\$91,215
Soft Costs 18%				\$180,606
Total Needs at the Old Firehouse				\$1,183,971

City of San Jose Response

- Ownership status Lyle Lane still to be determined
- Maintenance status of Lyle Lane still to be determined
- Encroachment into easement by adjacent property owners?
- City is open to making Lyle Lane a private drive
- City is open to adjusting property line to the back of the existing curb

Potential Site Uses – Fire House



RETAIL (COMMERCIAL
KITCHEN, RESTAURANT,
COFFEE SHOP , OTHER)



OFFICE (MEDICAL,
OTHER)



LIVE WORK



HOTEL EXPANSION



CELL SITE/WI-FI SITE

Potential Value – Fire House (Land Only)

Current Parcel Size 15,648 sf

Useable Area 11, 672 sf

Potential Addition of City/County Land 18,810 sf

Land Only	Land Value**	Annual Return***
*Useable \$60/sf **Additional	\$700,000 \$1,130,000	\$35,000 \$56,500
Useable \$70/sf Additional	\$817,000 \$1,315,000	\$40,850 \$65,750
Useable \$80/sf Additional	\$934,000 \$1,500,000	\$46,700 \$75,000

* Based on current useable land area

** Based on current useable land area plus addition of City/County land

*** Based on a 5% return

Potential Value – Fire House (Land and Building)

Bldg. + Land Retail Value	Rent/yr	Land + Bldg. Value*	Deduct Est. Fix Up Cost	Net Annual Return
\$2.50/sf	\$113,000	\$2.8M	\$500K \$1M	\$93,000 \$73,000
\$2.75/sf	\$125,000	\$3.1M	\$500K \$1M	\$105,000 \$85,000
\$3.00/sf	\$135,000	\$3.4M	\$500K \$1M	\$115,000 \$95,000

*Based on a 4% CAP rate

Metzler Summary

- Cambrian has excess capacity, and would need to grow by 612 students to approximately 4,000 prior to Metzler B re-opening
- Cambrian enrollment could grow to approximately 4,450 prior to needing a new site
- The property is well located to create significant annual revenue to the District
- There are political and legal issues to address to achieve success
- There is community and stakeholder outreach required

METZLER SITE

A

1.9 ACRES

B

4.6 ACRES

C

2.5 ACRES

Ruler

Line Path **Polygon** Circle 3D path 3D polygon

Measure the distance or area of a geometric shape on the ground

Perimeter: 2,586.59 Feet

Area: 9.00 Acres

☐ Mouse Navigation

Save Clear

August 1, 2019

Google



Can Cambrian re-purpose any portion of their property for non-school related uses?

1. Current enrollment is approximately 3,361 students, including 500 charter students.
2. District estimates there is currently the equivalent of 24 “unused” classrooms at all school sites, not including Metzler which is currently leased to third parties.
3. Assuming an average of 26 students per classroom = **624 new student capacity.**

METZLER B CAPACITY

CDE Title 5 formula for open space

Existing 17 classrooms will support:

- 26 students per classroom = 442 new students

CDE required school size 300 - 450 students

- Outside area requirements = 2.47 acres

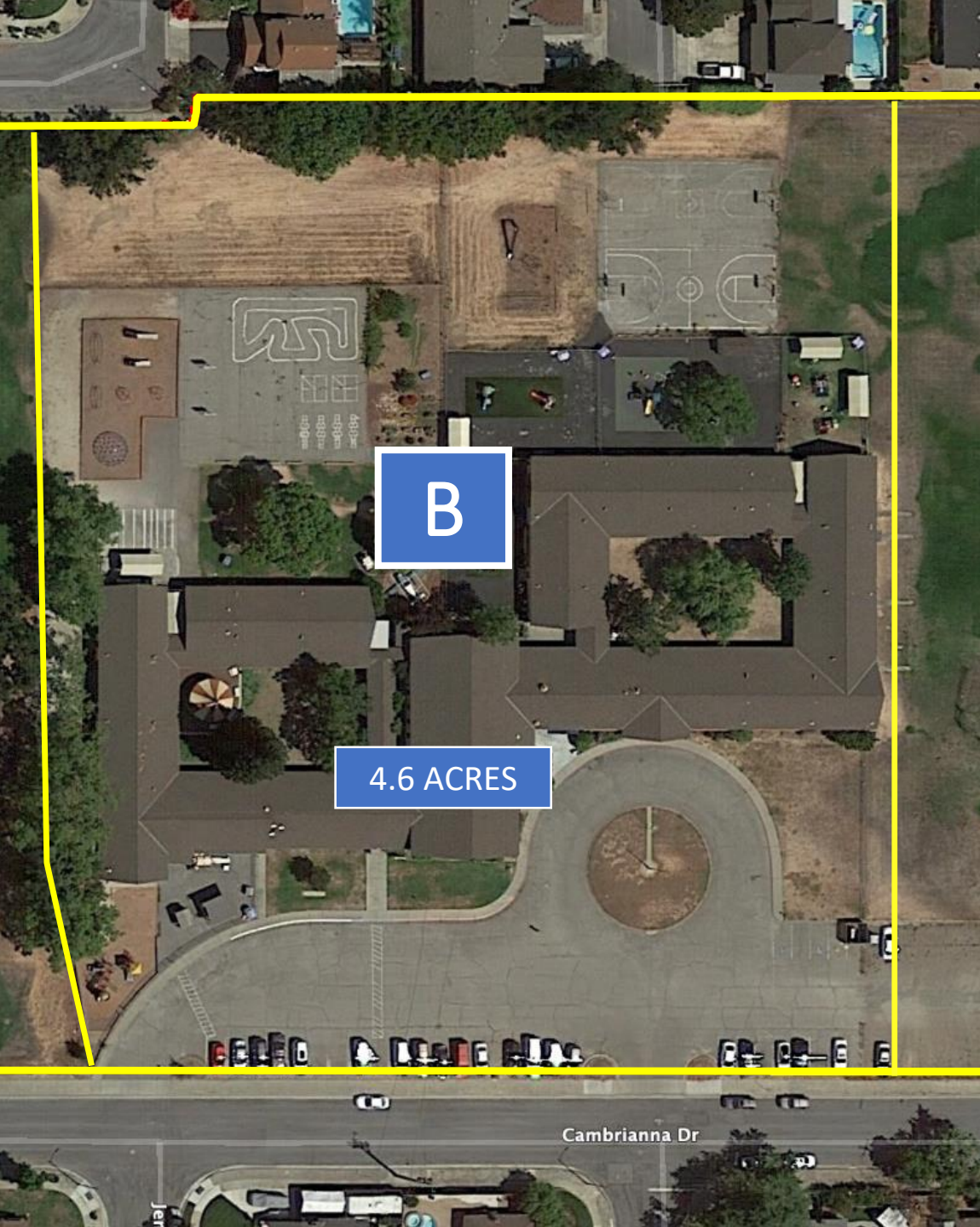
Metzler B meets the CDE requirements.



District Wide Capacity Summary

Based on current vacant classroom capacity the District can accommodate growth in new student generation of:

1. 624 students without re-opening Metzler.
2. With Metzler repurposed as a school site, total capacity for growth = 1,066 students



Potential Site Uses – Metzler



Metzler A

School: public, private
Senior housing w/medical,
memory care, assisted living
PQP Compatible Zoning



Metzler B

School: public, private,
Continue current use
PQP Compatible Zoning



Metzler C

School: public, private,
Potential to develop as a single family
residential
Will require a General Plan Amendment
change to R-1

Metzler A

Potential Economics

Ground Lease / Valuation Range

\$55/sf = \$4.5M @ 5% = **\$225,000/yr revenue**

\$60/sf = \$5.0M @ 5% = **\$250,000/yr revenue**

Potential 60 year revenue = **\$14,000,000**

- Return based on land price imputing a 5% rate per year annually
- Potential annual return is approximately 17% of current structural deficit
- Estimated investment required: \$142,500
- Estimated payback on investment: 8 months
- Estimated timing for receipt of initial revenue: 2021/22 fiscal year

Metzler C

Potential Economics

Exchange Value Range

$\$90/\text{sf} = \$9.8\text{M} @ 5\% = \$490,000/\text{yr revenue}$

$\$100/\text{sf} = \$10.9\text{M} @ 5\% = \$545,000/\text{yr revenue}$

Potential 60 year revenue = **\$31,500,000**

- Return based on land price imputing a 5% per year rate annually
- Potential annual revenue is approximately 35% of current structural deficit
- Estimated investment required: \$277,500
- Estimated payback on investment: 6 months
- Estimated timing for receipt of initial revenue: 2021/22 fiscal year if authorized to start process immediately

Community Outreach Process



Current Situation



Overall Objective



Target Audience/Stakeholders

Decision-makers and key influencers
Information Consumers



Develop clear messages for target audience



Identify incentives for engaging target audience



Identify outreach methods



Identify spokespeople and other key resources



Develop community outreach work plan

Current Situation



Cambrian School District is analyzing district-owned properties for revenue-generating potential.



The support of the Cambrian community for the new land uses of district property is vital to secure a successful implementation of the revenue enhancement plan.



There are several development projects within the Cambrian Community that are being monitored closely for impacts to the neighborhood quality of life. The proposed Cambrian projects will require an analysis to address those quality of life impacts in order to create clear messaging.



Any potential residential land use proposals for district owned properties will generate a wider audience due to the housing crisis. It is the political lens that will determine the viability and acceptance of these proposals.

Overall Objective



TO ENGAGE THE CAMBRIAN COMMUNITY IN
ORDER TO GAIN THEIR FULL CONFIDENCE
AND SUPPORT FOR THE LAND USE CHANGES
DECIDED BY THE CAMBRIAN SCHOOL DISTRICT
BOARD OF TRUSTEES.



TO CREATE THE COMMUNITY OUTREACH
INFRASTRUCTURE FOR THE CAMBRIAN
SCHOOL DISTRICT TO EFFECTIVELY ENGAGE
THEIR COMMUNITY IN ANY AND ALL FUTURE
CHANGES.

Target Audience/Stakeholders

- A holistic analysis of the Cambrian Community will identify who the decision-makers and key influencers are as well as the information consumers.

Decision-makers/Key Influencers

- Pam Foley, D9 Councilmember
- Judy Chirco, Former D9 Councilmember
- Don Rocha former D9 Councilmember
- Cambrian Community Council
- Friends of Cambrian Park
- Cambrian Park Little League
- Homeowner Associations
- Trustees of Union, CUHSD and SJUSD Area 3 and 4
- Kiwanis and Rotary
- Santa Clara County Association of Realtors

Information Consumers

- Cambrian Parents
- Cambrian Teachers
- Neighbors living with 1000 feet of the property
- Business owners
- Registered Voters

Develop Clear Messages for Target Audience

- Clearly identify the problem
Cambrian School District is trying to solve
 - Offer data as evidence
 - Visualize what success looks like
 - Communicate the consequences of not solving the problem
 - Tell the story
- Understand the motivation of the target audience and tailor the messaging to address
 - Address quality of life issues for the neighbors
 - Avoid educational lingo, use layperson language

Identify Incentives for Engaging Target Audience



Opportunity to fine tune the messaging



Get personal

Why should I care?
What's in it for me?



Be clear about what the district's ask is

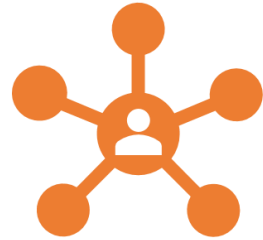


Make sure to ask for what is needed

Identify Outreach Methods

Know	<p>Know the communication preferences of each target audience – email, social media, etc.</p> <ul style="list-style-type: none">• Allow audience/stakeholders to opt in for communications
Focus	<p>Focus efforts for maximum effect</p> <ul style="list-style-type: none">• Leverage the communication channels of key influencers (i.e. Friends of Cambrian Park has 2000 email addresses)
Maintain	<p>Maintain contact information for future efforts</p>

Identify Spokespeople and other Key Resources



Spokespeople

Chose subject matter experts who can communicate with creditability

Trustees have an important role to play for certain target audiences (elected officials, community at large)



Key Resources

Identify the internal owners of the program for accountability

Ensure the internal owners have the resources they need to be able to execute the outreach plan

Invest in a quality project manager to ensure on time, on budget delivery

Develop Community Outreach Work Plan



What goal(s) are we trying to achieve?



What strategies will we use to achieve our goal(s)



What activities and tasks do we need to perform to succeed?



Who will be responsible for executing each activity?



What specific outcome(s) do we expect to see from each activity?



How will we measure success when evaluating each activity?



What is our timeline for each activity?



What process will we implement to track our progress?



Recommended Next Steps

FIRE HOUSE

1. Resolve land issues with City and County
2. Negotiate extension of lease with current tenant
3. Request for Proposal (RFP) process to engage a commercial broker to market the property for lease and/or exchange

METZLER A

1. RFP process to engage a commercial broker to market the property for lease to a medical, assisted living developer/owner using the Joint Occupancy Provisions of the Ed Code.
2. Start Community Outreach

METZLER C

1. Start General Plan Amendment process with the City
2. Identify a real property developer to acquire the site for exchange with an income producing property within the District Boundary
3. Start Community Outreach

Budget

Line Items		Firehouse	Metzler A	Metzler C	Metzler A & C	Notes
1	Potential Annual Revenue	\$85,000	\$225,000	\$500,000	\$725,000	Not including increases over time: CPI or Fair Market Value adjustments
2	Potential Revenue - 20 years	\$1,700,000	\$4,500,000	\$10,000,000	\$14,500,000	Not including increases over time: CPI or Fair Market Value adjustments
3	Potential 20 year Revenue - FH, Metzler A & C				\$16,200,000	
4	Potential 40 year Revenue - FH, Metzler A & C				\$33,400,000	
5	Potential 60 year Revenue - FH, Metzler A & C				\$50,100,000	
6	Budget Costs: Implement Board Direction					
7						
8	Legal	\$10,000	\$20,000	\$25,000	\$45,000	Exchange Agreement(s), Joint Occupancy Process & Agreement, Lease Agreements, ROW Agreement(s) *TBD
9	Project Management:					
10	Real Property Consultant	\$40,000	\$60,000	\$100,000	\$125,000	ESTIMATE 1 YEAR: RFP - Broker, Lease or Exchange Agreement, Exchange Property ID, Advise Board/Staff *TBD
11	Political Consultant	\$24,000	\$45,000	\$72,000	\$72,000	ESTIMATE 1 YEAR: Stakeholder, Political, Advise Board/Staff
12	Staff/Board of Trustees	Priceless	Priceless	Priceless	Priceless	Outreach and direction
13	Title (right of way, parcel mapping)	\$8,500	\$2,500	\$2,500	\$4,000	Metzler A, C will primarily be paid for by the developer
14	Civil Engineering/Mapping	\$5,000	\$5,000	\$5,000	\$7,500	Metzler A, C will primarily be paid for by the developer
15	City of San Jose Entitlements					
16	Coordination: land use	Included in PM	Included in PM	Included in PM	Included in PM	
17	Coordination: political	Included in PM	Included in PM	Included in PM	Included in PM	
18	City Fees					
19	Filing Fees	\$2,500	\$3,500	\$22,000	\$24,500	Includes City/County application fees and preliminary submittal
20	CEQA Application	\$0	\$0	\$6,000	\$6,000	General Plan Amendment only
21	Public Notices	\$500	\$0	\$1,500	\$2,500	Radius maps, labels, other
22	Service Fees	\$0	\$0	\$4,500	\$5,000	
23	CEQA Consultant	\$0	\$0	\$30,000	\$30,000	General Plan Amendment only
24	Public Notice: Signs	\$500	\$500	\$2,000	\$3,000	Statutory fees
25	Title: Radius Maps & Labels	\$1,000	\$1,000	\$2,000	\$2,750	Statutory fees
26	Miscellaneous/Contingency	\$2,500	\$5,000	\$5,000	\$7,500	
27	Estimated Total	\$94,500	\$142,500	\$277,500	\$334,750	

District Staff Recommendations

Q & A

Fire House
Metzler A
Metzler C



Thank
you!

