

2018-19  
Asset  
Management  
Study

Board of Education  
October 30, 2018



# Asset Management Agenda

- Overview of the Study
- Scope of Evaluation
- Asset Planning Process
- Enrollment History
- Options for Identified Property
- Property Analysis and Options
- Goals

# Overview of the Study

- March 2018, the Board authorized Eric Hall & Associates (EHA) to evaluate five District properties to optimize use and identify potential revenue sources.
- The five identified properties:
  - Ditmar Elementary (Ditmar)
  - Ocean Shores Alternative High School (Shores)
  - Pacifica Elementary (Pacifica)
  - District Office South (DO South)
  - District Office North (DO North)
- EHA coordinated with Real Estate Brokers Kidder Mathews, to assist with the evaluation.

# Scope of Evaluation

- Consisted of an inspection of the 5 identified properties and valuing it's current market condition
- Researched property profiles, easements, encroachments, encumbrances/deed restrictions, current and potential zoning, current use, identifiable limitations for future use, and ascertain highest/best use of property based on broker's opinion

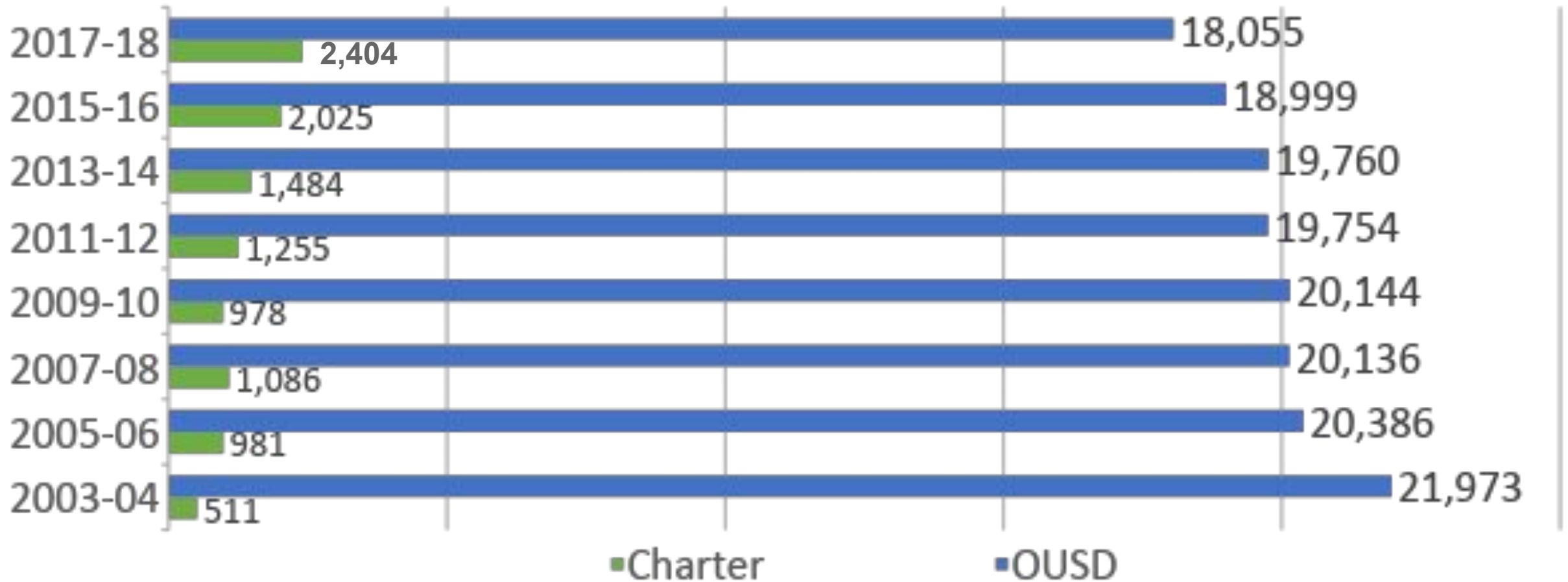
# Asset Planning Process

Laws and procedural steps taken when considering sale/lease/exchange of real property .....

- To declare property as **surplus**, the District shall convene a “7-11” Committee
  - Advisory committee of not less than seven (7) nor more than eleven (11) members to make recommendations to the Board
  - Presents a report with recommendations and a list of priorities to the Board which is advisor and nonbinding
  - Governing Board ultimately makes the final determination to declare some or all of the properties surplus, and its intent to sell or lease any of the properties contained in the 7-11 committee’s report

# Enrollment History

Declining enrollment since 2003-04 (3,918 OUSD decline; 1,893 charter increase)



# Why Declining Enrollment?

- Trends occurring state-wide – decline in birth rates
- Coastal cities experience higher rate of decline due to higher cost of housing
- Anticipated trend will continue by approximately 3% from 2018-19 to 2026-27 per the Department of Finance
  - Absent significant residential development, OUSD will be impacted **negatively** by an average of \$10k per student or \$4M annually due to declining enrollment of 400 students

# Options for OUSD Property

- Sale
- Lease
- Joint-Use Lease
- Joint-Use Grant Projects
- Property Exchange
- License Agreements



# Sale of District Owned Real Property

## Advantages

## Considerations

Source of substantial revenue

Not available for future use

Complex procedural steps defined by Ed. and Gov't. codes

May incur costs to rezone or incur property upgrades or improvements

Requires formation of 7-11 Advisory Committee to declare surplus property

Proceeds cannot be used for General Fund operating purposes

# Lease of District Owned Real Property

<u>Advantages</u>	<u>Considerations</u>
Continued revenue stream	Same regulations for the sale of district owned real property
Maintain ownership of property	May incur revenue fluctuations during periods of vacancy
May revert property back for District use at a future date	Some exceptions for leasing under the Civic Act
Property value may continue to increase over time	Education Code has specific procedures for property usage
	May incur costs for property maintenance, tenant improvements and/or broker commissions to manage property

# Joint-Use Leases

## Advantages

## Considerations

Provides periodic revenue stream with continued use of property

Consideration of lease terms of at least 5 years

Maintain ownership of property

Costs of property maintenance, utilities and improvements should be included in the agreement on a percentage basis

Required to follow surplus property procedural steps for leases which may entail significant planning, board declaration of surplus property and notification procedures

# Joint-Use Grant Projects

## Advantages

## Considerations

Cost sharing to building multipurpose facilities: Libraries, multipurpose rooms, gymnasiums, child care facilities and/or teacher education facilities

Does not require surplus property rules

Requires joint-use partner to fund at least 25% of the total cost, and OUSD to fund the balance up to a max. of 50% of the total cost of construction

Depending on eligibility, State Allocation Board to fund 50% of project cost

Requires specified agreement between OUSD and partner

# Property Exchange

## Advantages

Opportunity to exchange real property with that which has a desired location and high value for a property that better meets the needs of OUSD

## Considerations

Streamlined process with no requirements to comply with surplus property codes, including a 7-11 Advisory Committee, with the adoption by two-thirds (2/3) vote of its members to declare its intention to exchange the property

# License Agreements

## Advantages

## Considerations

Can provide an income stream and upfront cash

Care should be taken if the party to the agreement intends to make capital improvements on the property that may have characteristics of an easement and may be irrevocable

Any such agreement should be reviewed by legal counsel (F3) for form and consent

# Broker Opinion of Value (BOV)

- Asset management studies include a BOV prepared by a licensed real estate professional and based on the current market
- Intent is to derive the highest and best use for the identified properties that will include the most profitable, physically viable, and legally permissible options for consideration
- Factors included in analysis:
  - Location of identified property
  - Condition of the site buildings
  - Building design
  - Total square footage of land and buildings
  - Market value of similar properties
  - Zoning designation

# Broker Opinion of Value (BOV)

- Due to the unique design and construction of OUSD school buildings, the current design and footprints have little value in the commercial real estate market unless repurposed
- In some cases, the land is extremely valuable – demolition of the buildings and new construction is a viable option to a developer



# Property Analysis & Options

# Ditmar Elementary School

<b>Year Built</b>	<b>1954</b>
Bldg. Sq. Ft.	23,544
Acreage	6.36
Student Population	Program Support, Adult Transition, Occupational Therapy, Adaptive Physical Education
Zoning	Public and Semi-Public (PS) Oceanside Blvd = Commercial Ditmar St = Residential
Adjacent Zoning	Residential, General Commercial and General Commercial Coastal

# Ditmar BOV Best Use

- Best buyer groups with current zoning:
  - School
  - Convalescent Facility
  - Religious Organization
  - Boutique Hotel
- If rezoned:
  - Site could yield up to 29 dwelling units per acre, pending City zoning change
  - Redevelop the site for a mixed use development

# Ditmar BOV Value Range

Amount	Usage/Zoning
\$7.1M - \$8.0M	Sale to School User / PS Zone (Public & Semi-Public)
\$5.5M - \$6.5M	Sale to a Convalescent Facility / PS Zone
\$5.5M - \$9.5M	Sale to Residential Developer / RS Zone (Residential)
\$7.5M - \$9.5M	Sale to Residential Developer / CG (General Commercial)
\$0.45M	Lease to School / PS Zone
\$0.36M	L/T Lease for Convalescent Facility / PS Zone

# Ocean Shores Alternative School



<b>Year Built</b>	<b>1974</b>
Bldg. Sq. Ft.	19,518
Acreage	3.5
Student Population	138
Zoning	Public and Semi-Public (PS)
Adjacent Zoning	General Commercial and General Industrial

# Shores BOV Best Use

- Best buyer groups with current zoning:
  - School
  - Religious Organization
  - Sale as mitigation land
  
- If rezoned:
  - Potentially be developed as an industrial or general commercial use, pending city zoning change

# Shores BOV Value Range

Amount	Usage/Zoning
\$1.475M - \$1.75M	Sale to School User / PS Zone (Public & Semi-Public)
\$2.75M - \$3.5M	Sale / Industrial or Commercial Zone
\$0.55M - \$0.65M	Sale as mitigated land / PS Zone
\$0.475M	L/T Lease to School / PS Zone

# Pacifica Elementary School



<b>Year Built</b>	<b>1972</b>
Bldg. Sq. Ft.	1,300
Acreage	14.19
Student Population	N/A
Zoning	Public and Semi-Public (PS)
Adjacent Zoning	Residential



# Pacifica BOV Best Use

- Best buyer groups with current zoning:
  - School
- If rezoned:
  - The site could potentially yield 51 – 83 homes, pending city approval

# Pacifica BOV Value Range

Amount	Usage/Zoning
\$6.8M - \$7.4M	Sale to School User / PS Zone (Public & Semi-Public)
\$7.695M - \$12.45M	Sale to Residential Developer / RS Zone (Residential)

# OUSD District Office South



<b>Year Built</b>	<b>1962</b>
Bldg. Sq. Ft.	22,911
Acreage	3.14
Student Population	N/A
Zoning	Public and Semi-Public (PS)
Adjacent Zoning	General Commercial, Limited Commercial, Single Family Residence, High Density Residential

# DO South BOV Best Use

- Best buyer groups with current zoning:
  - School
- If rezoned:
  - Redevelop the site for a mixed use facility incorporating both commercial on the ground floor, with residential above

# DO South BOV Value Range

Amount	Usage/Zoning
\$2.4M - \$2.7M	Sale to School or Religious Group / PS Zone (Public & Semi-Public)
\$2.05M - \$2.45M	Sale as Commercial / General Commercial or Limited Commercial Zone
\$2.975M - \$3.7M	Sale as Mixed Use / General Commercial Zone
\$0.3M	S/T Lease to School or Office User / PS Zone

# OUSD District Office North



<b>Year Built</b>	<b>1962</b>
Bldg. Sq. Ft.	71,669
Acreage	8.36
Student Population	N/A
Zoning	Public and Semi-Public (PS)
Adjacent Zoning	General Commercial, Limited Commercial, Planned Development, High Density Residential

# DO North BOV Best Use

- Best buyer groups with current zoning:
  - Organization requiring maintenance and service facilities
- If rezoned:
  - Redeveloped as a residential or mixed use facility incorporating commercial and residential

# DO North BOV Value Range

Amount	Usage/Zoning
\$5.7M - \$6.5M	Sale as a Maintenance & Service Facility / PS Zone (Public & Semi-Public)
\$5.9M - \$6.9M	Sale as a Mixed Use Project / General Commercial or Limited Commercial Zone
\$8.0M - \$9.5M	Sale to Residential Developer / Planned Development Zone



# Collaborative Partners



- Collaboration with the Oceanside City Planning Department regarding potential changes in zoning is an essential step in this process
- To date, OUSD has been in contact with the city and plans to continue fostering that relationship and engage in collaborative conversations.

# Goals

- Unify Alternative Education Programs
- Generate Revenue (one-time and on-going)
  - Reduce pressure on General Fund
- Maximize Use of Assets
- Unified District Office

# Conclusion

Thank you