



West Contra Costa Unified School District Surplus Property



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Tonight' Agenda

The District operates 52 school sites and maintains multiple other properties that house district operations and support programs. In addition, the District currently has multiple sites that are vacant and not able to be utilized for the support of students. These sites, do however, create a financial burden on the budget and have issues of vandalism and upkeep

- Discussion of Options for current vacant properties
- Efficiency / Optimization analysis of all district sites is a best practice
- The timeline for Surplus Property is a multi-year process and is not part of any current budget solutions

Possible Priorities and Goals within Disposal / Consolidation Process

- Generate unrestricted, on-going General Fund income to support programs and services for students and staff.
- Generate cash reserves for long-term maintenance, equipment and capital facilities needs.
- Retain ownership of some of the sites and/or real property acquired in exchange for one or more of the sites to benefit from real property appreciation.
- Relocate/consolidate some central office functions to reduce expenditures, increase efficiency and generate income or capital.

Current Surplus Property Sites

SeaView Elementary

2000 Southwood Dr.

San Pablo

(Approx. 4.56 acres – closed 2005/09

Portola Middle

7150 Portola Dr

El Cerrito

(Approx. 6.26 acres – closed 2010)



Current Surplus Property Sites

Adams Middle

5345 Patterson Cr

Richmond

(Approx. 8.70 acres – closed 2009)

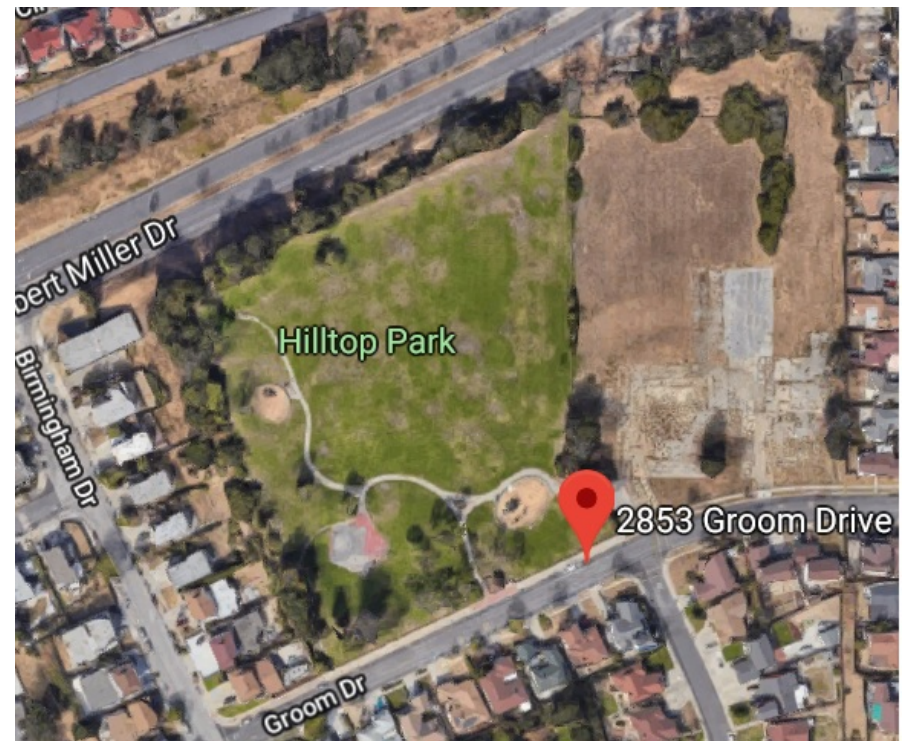


Harmon Knolls

2853 Groom Drive

Richmond

(Approx. 9 acres – closed 2003)



Surplus Property Disposition Options

There are several options for utilization of surplus District Properties, including:

- Ground Lease
- Sale
- Exchange
- Other Options?
 - (Community Recreation Programs/Joint Use or Joint Occupancy)

Surplus Property Process Traditional Sales / Disposal

Disposal of Surplus Property is a very lengthy process with multiple requirements and regulations which must be followed for traditional sales including:

- Creation of a 7-11 committee as defined in Education Code 72888 – 73890 unless utilizing an exchange methodology
- Passage of appropriate board resolutions
- Advertising of appropriate Requests for Proposals

Disposition Options – Ground Lease

Advantages:

- Retain ownership of Property
- Receive monthly lease payments
- At end of lease term, receive Property with improvements
- Use of Proceeds Not Restricted

Disadvantages:

- District is the “landlord” and retains some responsibility as owner of the Property
- Although lease can establish requirements for Property condition after lease end, may still have issues to resolve

Ground Lease Factors to Consider

- Monthly Rent
- Due Diligence/Option Period
- Length of Term
- Planned Use – Suitability of Property
- Improvements District Acquires After Lease Terminates

Recent RFP Example – Ground Lease: Capistrano Unified School District

- CUSD obtained waiver to use RFP process for lease of South Bus Yard Site, approximately 5.1 acres
- Received a total of 5 ground lease proposals
- Negotiated a final Option Agreement and Ground Lease with Toll Bros. Apartment Living
 - 99 year Lease; 425 market rate units
 - Initial deposit of \$1,300,000, partially staggered, plus Extension Options of \$250,000 each, for 6 mos.
 - \$3,150,000 initial annual base rent (13.14% increase every 5 years)

Disposition Options - Sale

Advantages:

- Lump sum payment
- Not responsible for Property as owner
- Likely to receive a lot of interest from developers hoping to own development

Disadvantages:

- District does not retain ownership
- One time payment does not include increase for likely increased value of Property over time
- Use of Proceeds is Restricted and one-time income

Sale Factors to Consider

- Price
- Proposed Development
- Due Diligence Period
- Deposit Structure
- Closing Timeframe

Recent RFP Example - Sale: Fountain Valley School District

- FVSD obtained waiver to use RFP process for former school site, approximately 12.9 acres
- Received a total of 20 purchase, 1 ground lease and 3 lease proposals
- Negotiated final Purchase Agreement
 - Purchase price of \$36,500,000 (range \$5M to \$38.15M)
 - Funds to be utilized for Facilities Projects
 - Initial deposit of \$1,000,000
 - of which \$100,000 is kept by FVSD even if the sale is not complete
 - \$3,650,000 non-refundable 60-90 days after opening of escrow

Disposal Options - Exchange

Exchange Agreement

- Exchange District Property for Other Real Property with Another Person or Private Business Firm
- Exchange **Does Not** Require Process Involved with Sale or Lease, including:
 - Appointing of an Advisory Committee
 - Offering the Property to Public Agencies
 - Bid Hearing
- Board Must Adopt a Resolution Declaring Intention to Exchange by a 2/3rds Vote

Disposition Through Exchange

- Summary of Process
- Flexibility with Types of Properties
 - Do not have to be school sites or within District Boundaries
- Exchange for Income Producing Property
- Possible Construction of School Facilities
- “True-Up” Payment Consideration
- Same RFP/Process Would be Followed

Exchange Considerations

- Value: appraised value of exchanged properties should be “similar”:
 - Need not be exact: District may exchange a undeveloped property for another site on which a developer agrees to construct or an acquire an existing income-producing asset
 - Also can make up a small difference in value with a cash payment.
- Timing: If either of the properties are occupied, allows for time to move out and prepare for new occupancy through escrow

Advantages of Exchange

- Dispose of property that is not ideal for school use without “losing” value
- Obtain a property that can be used by the District or produce income for the District
- District can target specific properties it wants and work directly with owner to see if exchange is possible (no bidding required)
 - Property does NOT need to be within District boundaries
- District can send out RFP to see what properties are available for exchange
- District can seek “income-generating” properties if it has no current need for an existing school property

Disadvantages of Exchange

- May be difficult to locate another property that will benefit the District
- Some developers are less aware of the Exchange Process
- Finding property or properties that have similar value may be difficult and take time
- Timing of acquisition of exchange property could leave exchange proceeds in escrow for a period of time without immediate benefit to the District

RFP Example – Exchange: Cypress School District

- District Properties: 9.53 acre former Dickerson Elementary School, valued at \$20,234,000 -and- 6.8 acre former Mackay Elementary School, valued at \$10,285,000
- Exchange Agreement granted District Options for Properties to be received by District:
 - 1) Developer Owned Property: District and Developers would identify property owned by Developer, and if not...
 - 2) Third Party Property: District identifies a property owned by a third party that it wishes to acquire during escrow, and if not...
 - 3) Trust Account Option: District acquire properties with Exchange Funds from Trust Account
- Property Acquired: Residential Apartments

Use of Proceeds - Summary

- Sale: Capital Outlay Expenses; General Fund Restricted for Facilities (Fund 40)
 - Education Code section 17462.3 to establish program that requires proceeds from properties purchased, modernized or improved with state funds to return money to SAB in certain circumstances (10-yr rule).
- Lease: Proceeds may be held in General Fund (Education Code section 41002); unless...
 - Board Resolution specifies fund in which lease proceeds are to be deposited (Education code section 41003)
 - Several legal opinions on utilization of funds
- Exchange: If District receives income-producing property in exchange, fewer restriction on use of funds
 - Best Practice is to utilize funds to offset one-time general fund expenditures based upon Board priorities
 - Examples include technology refresh, restoration of reserves, one-time infrastructure enhancements

Surplus Property Funds Utilization

USE REQUIREMENT MATRIX	7-11 Committee Needed	Notification of Public Agencies	Naylor Act Applies	Formal Public Bid Required	Funds Are Restricted
Sale/Lease with Option to Buy	YES	YES	YES	YES	YES
Lease	YES	YES (Differs by Type)	YES	YES	NO*
Exchange	NO	NO	NO	NO	NO*
Community Recreation Program Use Agreement	NO	NO	NO	NO	NO
Joint Occupancy	NO	NO	NO	NO	NO

* Best practices are to utilize funds to offset one-time general fund obligations

Possible Next Steps

- Identify Properties for Possible Surplus Process by way of Asset Management Report
 - Follow Surplus Property Process for Those Recommended in Report and Approved by Board
- Determine timing for an “RFP” Package for Possible Exchanges
 - Can Be Done in Advance of Asset Management Report or Surplus Property Process
- Consider Lease, Sale & Exchange Concurrently
 - Select the Proposal that Offers the “Most Beneficial” Terms for the District