# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
# BOARD OF EDUCATION

Agenda Item 11.1

**Meeting Date**: February 18, 2016

**Subject: Approve Real Estate Advisory Proposals for Three Sites**

- ☐ Information Item Only
- ☐ Approval on Consent Agenda
- ☐ Conference (for discussion only)
- ☐ Conference/First Reading (Action Anticipated: _____)
- ☐ Conference/Action
- ☒ Action
- ☐ Public Hearing

**Department:** Facilities Support Services

**Recommendation:** Provide staff direction as to next steps related to the disposition of identified sites. Staff requests direction on each site individually.

**Background/Rationale:** The Sacramento City Unified School District (District) has identified three real property assets owned by the District being considered for either utilization or disposition.

The District retained Overland, Pacific and Cutler, Inc. (OPC) to assist in analyzing the challenges and opportunities associated with the potential utilization (lease, joint occupancy, or joint use) or disposition of the properties, arrive at an opinion of lease fee and fee simple value, and develop a process for the potential utilization or disposition(s) of the real property assets. This analysis is being provided to assist the District in making sound real estate decisions. The properties are as follows: 1619 N Street, 2718 G Street, and 2401 Florin Road.

**Financial Considerations:**

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IV. GOALS, OBJECTIVES, AND MEASURES

Staff to receive direction from the Board regarding next steps in the disposition of identified sites.

V. MAJOR INITIATIVES

N/A

VI. RESULTS

Board to understand the various options available for the disposition of underutilized or surplus sites and provide direction to staff to proceed.

## VII. NEXT STEPS

Proceed with Board recommendation.

# Real Pr and Strategy
## Preliminary Rep
## Three District Owned Parcels

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By

Oakland and Sacramento , CA

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## INTRODUCTION

The Sacramento City Unified School District (District) has identified three real property assets owned in fee being considered for either utilization or disposition. These assets are described in detail in Section C of this report.

The District retained Overland, Pacific and Cutler, Inc. (OPC) to assist in analyzing r1n4 Td ( )Tj .d2

It is recommended that a formal resolution accepting the successful bid be adopted that provides the terms, amount of the lease, and authorizations to execute a lease agreement.

Joint Occupancy

Joint use

Ed. Code 17527-

Unless alternatives are decided upon that provide relief, only after these requirements are satisfied can the District negotiate freely with parties that are not another California Public Agency or a party serving a public interest.

Exchange

School districts are authorized to exchange any of their real property for the real property of another person or private entity (Ed. Code 17536-17538).

The exchange may be on the terms and conditions agreed to by the parties. And an exchange may be entered into without complying with any other provisions of the Ed. Code.

However, the governing board must adopt a resolution of intent to exchange the property. The resolution must identify the terms and conditions which the properties will be exchanged excluding the price.

## B. UTILIZATION AND DISPOSITION ALTERNATIVES ANALYSIS

As described above there are five alternatives available to the District to engage with other parties to utilize or acquire the District's assets. Each has positive attributes and challenges.

Table 1 below briefly describes the positive attributes and challenges for each alternative as well as the work required to achieve each. This table can be expanded upon and used as a risk matrix to more thoroughly analyze risk associated with each option to provide the more Board with more information prior to making final decisions on each parcel.

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## C. REVIEW OF OTHER CURRENT PROJECTS AND DISPOSITIONS

OPC has researched various approaches school districts have utilized to capture the value of surplus and under-utilized parcels and improved properties. Districts across the country have engaged in the sale or lease of obsolete surplus properties. Based on OPC's research the majority of projects are for site redevelopment and or adaptive re-use of properties for housing (both market rate and affordable housing) and commercial uses solely for the use by the development entities. In most transactions the districts have not retained opportunities for joint operations or occupancy or entered into partnerships.

### Overview of Examples Outside of California

In some cases such as in Albuquerque, NM a single former school site has been the catalyst to revitalize downtown areas, add new and unique commercial assets to neighborhoods such as what the McMenamins organization has done in Oregon and Washington, and created numerous new development opportunities through a structured program including on-line, auction style bidding, such as what the Kansas City Public School System has done. However, none of these examples were subject to the onerous regulatory climate present in California, which can be viewed as restrictive and difficult to navigate successful transactions through.

### Overview of Examples in California

Two large school districts in California have or are in the process of developing Joint Occupancy projects; Los Angeles Unified School District (LAUSD) and San Diego Unified School District (SDUSD). OPC spoke with representative from both districts. Below is a synopsis of those conversations.

#### LAUSD

In 2008 LAUSD elected to solicit proposals for sites in Gardena, Hollywood and a site near the University of Southern California in Los Angeles County. LAUSD received proposals to develop low-income and work force housing on the sites. The developers were required to acquire all necessary entitlements and financing for the projects. The District received ground lease income and was able to reserve housing units for their teachers and staff and parking as their joint occupancy uses. 00H2dS Tc0 0 12 c5. 00H2dS Tc0 0 12

# D. HIGHEST AND BEST USE AND OPINION OF VALUE

Table 2: Lease Rate Opinion

| ADDRESS | APN | Lot Size (Sq. Ft.) | Unit Value | Rate Return | Annual Rent Per Sq. Ft | Annual Value Of Lease |
|---|---|---|---|---|---|---|
| 1619 N Street | 006-0174-016 | 51,401 | $30 | 10% | $3.00 | $154,203.00 |
| 2718 G Street | 003-0202-001 | 51,200 | $30 | 10% | $3.00 | $153,600.00 |
| 2401 Florin Road | 041-0073-025 | 294,901 | $7 | 10% | $0.70 | $206,430.70 |

For Simple

Assumptions

- Highest and best use of the two historical sites (1619 N Street & 2718 G Street) are as vacant for future development. Unit values are based on the potential for development of mixed use commercial/multi-family residential units.
- The commercial parcel (2401 Florin Road) could both be sold as improved or as vacant for future development, estimates for both scenarios are provided.
- Factors considered and adjustments made in determining unit values were based on: location, accessibility, zoning, development potential, size, year sold

Methodology

The estimates were developed using the best information available. Office research and field inspections of the subject properties were conducted for the preparation of this report. Following are details pertaining to the research methodology.

The estimated unit costs were derived from a market analysis of comparable sales and listing data in the surrounding area. Some of the elements of comparability include general location, accessibility, zoning and development potential. Based on the market information compiled, we developed general per square foot values for the different property types and land uses. These values were then adjusted and applied to the estimate for each subject parcel.

Bare land values were used for estimating values of the sites as if vacant for future development. Additionally, demolition costs of the existing improvements were estimated and applied. Developed property values were also used for the commercially improved property (2401 Florin R

schedule risks to a project unless the structures were deemed to be a risk to health, life and safety requiring it to be demolished.

Environmental Constraints and Challenges: Potential environmental contamination hazards resulting from the past and current use are not known. The site's building improvement materials

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known. There are 20 environmental hazards within one mile of the site according homefacts.com including four Brownfields sites, one Superfund site, and 15 tank spills. Impacts of these issues on the site would be noted in a Phase I ESA.

## F. DEVELOPMENT POTENTIAL

development potential of the site. These sites would serve a similar demand in the market place as the subject parcel. However, the site does benefit from being a corner lot.

This site may benefit from the District investing time and money into preparing it for disposition. Such preparations would include demolishing all site improvements to clear the site and subdivide it into four parcels. By only creating four parcels no subdivision map would be required; only a plat, which is a less intensive entitlement process. This would give the District the opportunity to market multiple retail parcels versus one site. All four could be acquired by one developer, or several.

Conceptually a Family Dollar type retailer could be sited adjacent to the Walgreens fronting Florin Rd. leaving five plus acres fronting 24th Street. The remainder could accommodate similar supporting retailers, restaurants, or possible multi-family housing.

The site could present a good opportunity to an affordable housing developer given the commercial amenities proximate to the site, access to bus and light rail transit, and the County facilities on the south side of Florin Road. Five acres could yield well over 100 units of housing. The site would likely score well for Low Income Housing Tax Credits and could possibly receive HUD HOME or CDBG funds from the City of Sacramento.

## G. DISPOSITION POLICY AND STRATEGY

Unless it can be found that the District has engaged in a sufficient process through previous committees or its current Adhoc committee work to satisfy the requirements per 17387 of the Education Code as described in Section A, the District must take the steps to satisfy this requirement. A sound policy and approach to transactions is as follows:

1. Districts primary real estate goal is to own, manage and maintain assets that assist them in furthering their core mission i.e. to provide quality public education to the children in the City of Sacramento.
2. When it is determined that an asset is to be repositioned through a Joint Operation or disposed of, the District should take all measures to optimize the financial value received for the property, which includes analyzing its highest and best use and marketability. This analysis will aid the District in effective negotiations with an offeror.

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projects. This is achieved by electing to dispose of the sites following the course required in the Educational Code and seeking the best possible financial outcome with the least amount of timing risk.

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## S and S l c t i o o

The second decision the District has to make is the process it will undertake for the disposition.

1. The District first has to decide what the solicitation process will be i.e. RFQ or RFP? Two questions are to be considered. OPC's recommendation is provided after the question.
    a. Should the District seek qualified developers to negotiate with and then seek proposals from a qualified list? Or,
    b. Seek proposals and negotiate with the party making the best offer for the parcels?

    Recommendation: Start with an RFQ process to determine if qualified buyers pursue the properties. Statements of Qualifications (SOQ) should include the developer'

Recommendation: Offer the parcels as a package or as individual

District chooses to proceed in. Multiple versions of an RFQ or RFP may be necessary depending on the direction proposed by the District.

The District needs to fully understand any ramifications of its actions and consult with its legal counsel before making any final decisions.

Table 5: High Schools Offering

| Activity | Duration | Time Line |
|---|---|---|
| Board Resolution Directing Process | 1 | Feb. 2016 |
| Finalize Form of Offering (RFQ,RFP, RFB, Listing) | 1 | Feb. 2016 |
| Offer Parcels for Disposition Under Educational Code Requirements | 6 | Mar. - August 2016 |
| Offer Parcels for Disposition Under RFQ,RFP, RFB, or Listing | 2 | Sept. - Oct. 2016 |
| Review Proposals/Offers and Interview Short List | 1 | Nov. 2016 |
| Return to Board of Education With Recommendation for Disposition | 1 | Dec. 2016 |
| Enter Into Negotiations for Disposition | 1-4 | Jan. - Apr. 2017 |
| Close Transaction | 20 | May-17 |