THE PROCESS, STEPS AND REQUIREMENTS FOR THE SALE / DISPOSAL OF DISTRICT-OWNED “SURPLUS” PROPERTY

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June 27, 2017
Introduction Dutra Cerro Graden

- Consulting, development and brokerage company since 2005 working across California
- A registered Benefit Corporation which specializes in mission-based organizations like K-12 School Districts
- Help Districts more effectively use their real property resources to:
  - Improve fiscal sustainability
  - Meet their core mission of providing high-quality educational services to their students
Process for Sale or Lease of Real Property

**IDENTIFY SITE**
- Strategic asset management review of existing property
- Analyze zoning, GP designation, potential valuation
- Staff & Board determine site(s) to potentially release for sale or lease

**7-11 PROCESS**
- Convene committee of 7-11 community members
- Committee submit recommendation to the Board
- Board receives report and approves resolution on surplus status

**BROKERAGE**
- Board declares intent to sell or lease property and consider waiver
- Begin notification of required entities (public agencies and former owners) 60-90 days
- In competitive bidding or RFP select buyer, resolution declare purchaser/lessee
**What is surplus property?**

“Surplus” ≠ extra ≠ vacant

Districts with underutilized property interested in selling or leasing their property must first go through State-mandated surplus property process to have a site designated “surplus” by the Board in a resolution.

**Status DOES NOT:**
- Expire
- Negate the current use or future educational of the site
- Require the sale or lease of a site

**Exceptions to Surplus Process:**
- Exchange of property
- Childcare and development services
- Lease of 30 days or less
- Historic buildings to non-profits
- Proposed legislation would exempt district workforce housing (AB 1157–Mullins)
Overview of the 7-11 Committee

• Board must FIRST appoint a **District Advisory Committee** to advise the Board on if a property has a current or future **educational use** to the District
• Committee is **minimum of 7, max of 11 community members** representing specific groups (teacher, property owner, parent...) and can be a standing committee or ad hoc committee
• Committee is **advisory in nature only** – not binding but **subject to the Brown Act**, hence all information and meetings are public
• The process from Committee application to notification of required entities is **approximately 6-8 months.**
Board Action Declaring Property Surplus & Resolution of Intent

• Board considers 7-11 Committee’s recommendation and makes determination on surplus status.
• District is required to first offer the surplus property for sale to a number of public entities before the open market.
• If the property remains unsold or unleased, the Board must declare its intention in a regular meeting to sell or lease the property prior to putting the property up to competitive bid (i.e. to the open market).
Sale or Lease of Property

• Unless the District previously received a State waiver from competitive bidding, Board required to either reject all bids or take the highest bid.
• The proceeds of the sale of surplus property generally must be used for capital outlay or non-recurring maintenance costs.
• The proceeds must be used for one-time expenditures, and may not be used for ongoing expenditures, such as general operating expenses.
• There requirements do not apply to leases without the option to purchase.
District Underutilized Property

**Site 1: Contra Costa Ave, Seaside**

**GP:** Medium Density Single Family Residential

**Zoning:** RS-12 Single Family Residential

**Size:** 7,985 square feet

**Current use:** Vacant

**Description:** Former basketball courts, next to the Salvation Army
Strategic Assessment of Underutilized Property

Currently reviewing total of 6 District sites for potential repurposing, including for additional revenue sources, reducing liabilities and workforce housing.

1) Contra Costa Ave, Seaside (basketball courts)
2) 3066 Lake Dr., Marina (portion of former Marina del Mar Elementary School)
3) “Tarpy Flats,” City of Monterey
4) Hidden Hills Road, Monterey County
5) Bunker Hill Drive, Monterey County
6) 999 Coe Ave, Seaside (empty portion of Seaside Middle School)
Workforce Housing Opportunity

New teachers moving but don’t STAY

12-year low teacher supply

Median price of home is $750,000

Traditional affordable housing focused on low/very low income

Districts can build/acquire short-term rental units. Rents are ~30% of income so employees can save to become homeowners and permanent residents.
Questions?

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Disclaimer: This presentation is intended as a general overview not a legal document. Specific District resolutions and scenarios would also need to be reviewed by legal counsel.
ADDENDUM SLIDES
Responsibilities of the 7-11 Committee

(a) Review the projected school enrollment and other data as provided by the district to determine the amount of surplus space and real property.
(b) Establish a priority list of use of surplus space and real property that will be acceptable to the community.
(c) Cause to have circulated throughout the attendance area a priority list of surplus space and real property and provide for hearings of community input to the committee on acceptable uses of space and real property, including the sale or lease of surplus real property for child care development purposes pursuant to Section 17458.
(d) Make a final determination of limits of tolerance of use of space and real property.
(e) Forward to the district governing board a report recommending uses of surplus space and real property

(Ed. Code 17390)
Timeline of surplus property process – 8 – 11 months

1. 7-11 Committee Preparation and Application: 1 - 2 months
2. 7-11 Committee Meetings: 1 - 2 months
3. Board Meetings on Resolution of Surplus: 1 month
4. Public Entity Notifications: 3 months
5. Open Bidding (if still available): 2 - 3 months

Timeline dependent on Board schedule, number of properties, type of transaction and related factors.
District Underutilized Property

**SITE 2:** 3066 Lake Dr., Marina, CA 93933  
**GP:** Public Facilities  
**Zoning:** R-4 Multiple Family Residential  
**Size:** 7.85 acres

**Current use:** field space and Marina Child Development Center  
**Description:** former Marina del Mar Elementary School
**SITE 3:** Bunker Hill Drive, Monterey County

**GP:** School / University

**Zoning:** Public / Quasi Public

**Size:** 12.94

**Current use:** vacant space

**Description:** hillside adjacent to City of Marina residential area, potentially under Fort Ord restrictions
SITE 4: “Tarpy Flats,” City of Monterey

GP: Special Planning Area

Zoning: Planned Community

Size: 50 acres

Current use: vacant space

Description: landlocked, hillside below Highway 68, likely no utilities
District Underutilized Property

**SITE 5:** Hidden Hills Road, County of Monterey

**GP:** Residential – Rural Density

**Zoning:** Rural Density Residential

**Size:** 10.14 acres

**Current use:** vacant space

**Description:** hillside, likely no utilities, Chupines Fault Line crosses the property, moderate/high erosion hazard
District Underutilized Property

SITE 6: Seaside Middle School, 999 Coe Ave, Seaside
GP: Public / Institutional
Zoning: Public / Institutional
Size: 40.09 acres (one parcel)

Current use: middle school, open space
Description: surplus process would focus on underutilized portion near the golf course (no impact on existing school), some flood risk
What is Workforce Housing?

The ideal scenario to address medium and long-term housing issues is:

- Financial assistance programs - housing bonus for targeted employees, down-payment savings plans, mortgage assistance, etc.

AND

- Developing short-term rental units

This allows middle income workers to move into the communities where they work and upgrade later to permanent housing through down payment and mortgage assistance programs.

A new teacher in the area is likely facing rent for a 660 sqft 1-bdrm for $1,950 month on an annual salary of $53,234 like above in Novato.
How is it typically done?

District provides “free” surplus land but this is not enough!

The amount of funding the district spends and its risk tolerance will determine which model works best and therefore how many units they would get.

District is NOT the manager of the housing units – third party interacts with tenants.
### Example Scenario of Workforce Housing

<table>
<thead>
<tr>
<th>Typical Project Built for a School District</th>
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<tbody>
<tr>
<td><strong>Number of District Units</strong></td>
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<tr>
<td><strong>Site Size</strong></td>
</tr>
<tr>
<td><strong>Cost of Development</strong></td>
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<td><strong>Monthly Rental Rate to Employees</strong></td>
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<tr>
<td><strong>Monthly Rental Market Rate</strong></td>
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<td><strong>Savings on Employee Rent Compared to Market Rate</strong></td>
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<td><strong>Estimated Time to Build</strong></td>
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</tbody>
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- It’s typically open to all employees on a lottery basis for 3-7 years but these parameters are at the district’s discretion.
- The general rule of the thumb is it costs $300,000 - $400,000 per unit for a workforce housing project.
- Projects are medium to high density developments.
Potential Gap Funding Sources

- Sale of Surplus Property
- Developer “In Lieu” Fees
- City Affordable Housing Funds
- City, County, State Housing Grants
How would a district start?

1. There must be the political will and commitment.
2. Participating districts must be willing to have designated surplus and/or underutilized property studied for their suitability for these purposes.
3. There must be early and often stakeholder engagement, particularly with the Board, employee groups, municipal authority and parent groups.
4. Sufficient funds must be dedicated by the district (or multiple districts) to conduct a meaningful feasibility study.