

# ALTERNATIVE USE OPTIONS ANALYSIS

PRESENTED TO THE AZUSA UNIFIED SCHOOL DISTRICT'S BOARD OF EDUCATION  
BY DCG STRATEGIES

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ABOUT US

# DCG Strategies

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*Founded in 2005, DCG Strategies is a commercial real estate firm with a distinct mission to serve California's public schools and districts.*

*DCG Strategies provides consulting, development and brokerage services to local educational agencies statewide.*



STARTING POINT

## ➤ Strategic Questions

1. What are our board policies, objectives and legal obligations?
2. What school facilities do we need, short term and long term?
3. What sites/facilities are surplus to the current and/or future needs of the District?
4. What are current fiscal realities?





# The Cost of Inaction

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Non-use Fees



Vandalism



Opportunity Cost



Hurts District Goodwill

# What if Asset is Underutilized and/or of No Strategic Value to District?

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Consider options to generate greatest prudent economic gain to District



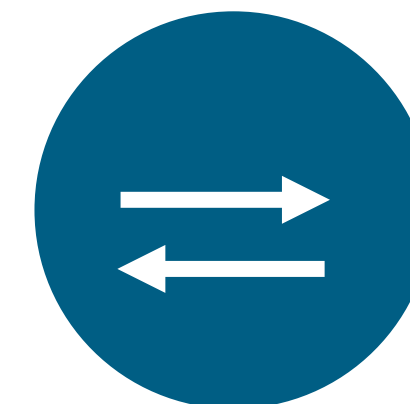
Employee Workforce Housing



Joint Occupancy



Lease



Real Property Exchange



Sale

## ALTERNATIVE USE OPTIONS

# Building Options for Employee Workforce Housing

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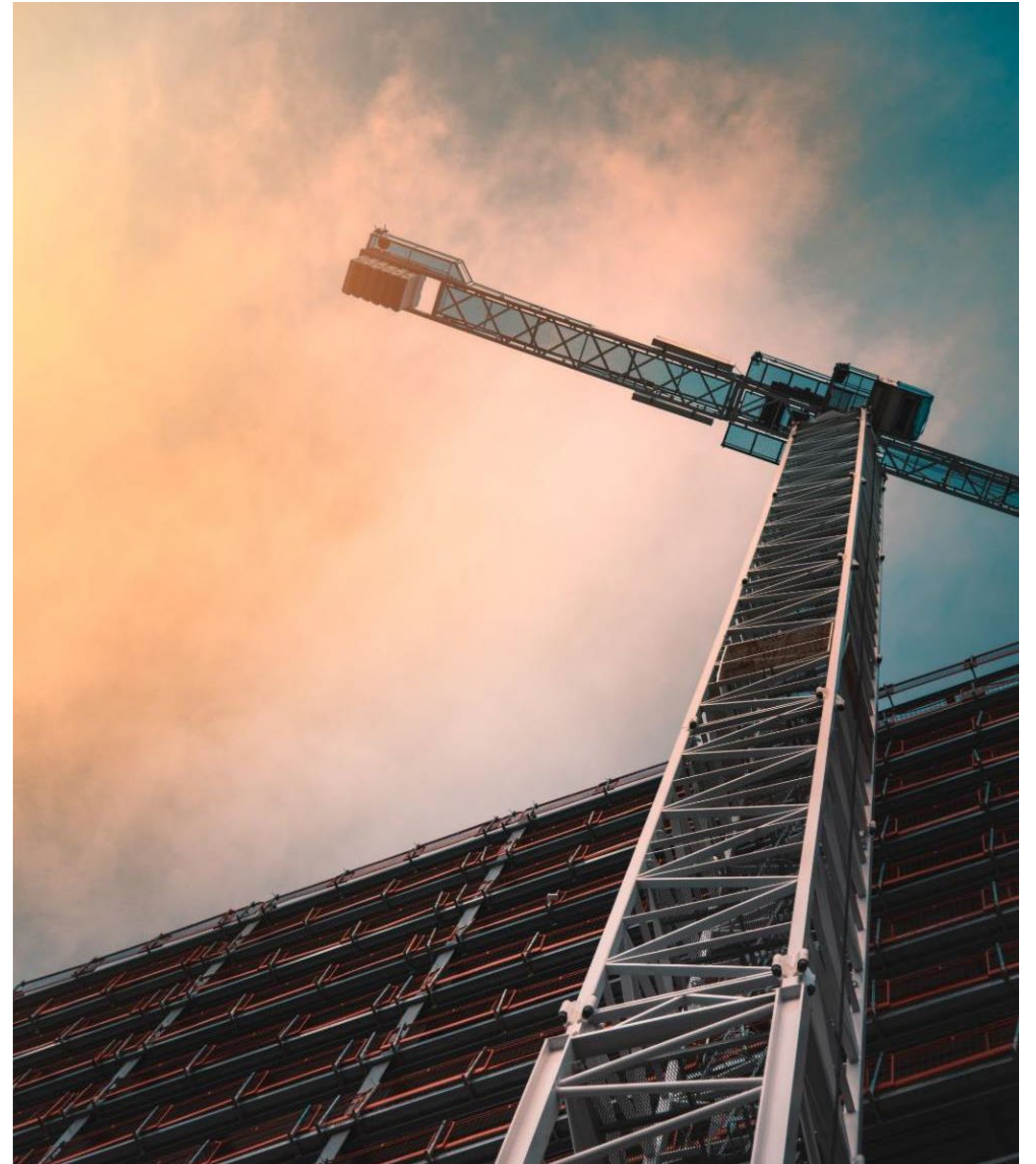
District funds construction through General Obligation Bonds, Certificates of Participation, and/or some other form of financing.

## Pros

- District has total control over rents, access, etc.

## Cons

- District acquires all funding, bears all risk, occupies entire facility and manages all units





## ALTERNATIVE USE OPTIONS

# Building Options for Employee Workforce Housing

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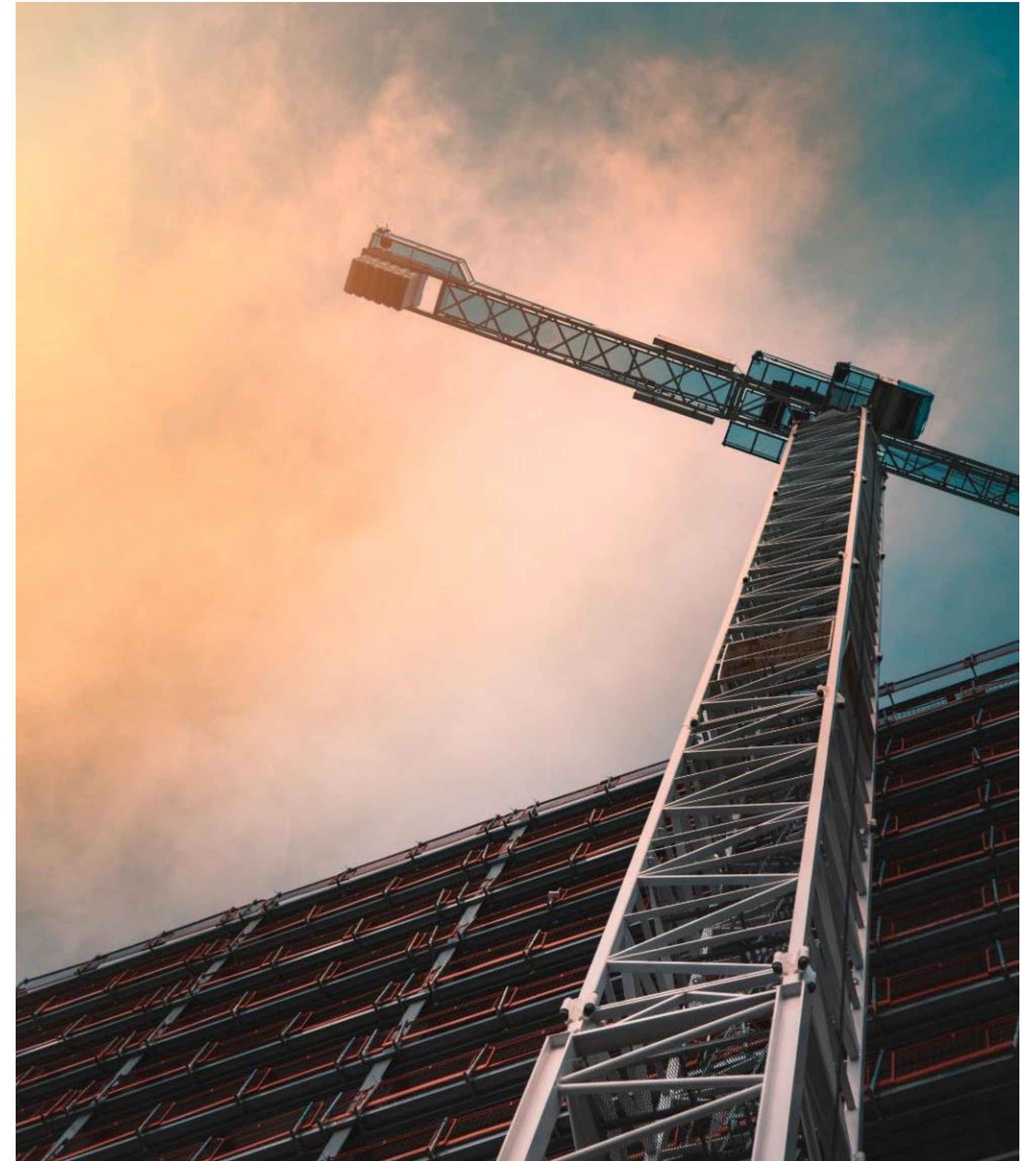
District partners with market-rate developer to subsidize construction & secures percentage of units as Workforce Housing.

## Pros

- If property is District-owned, typical structure is a ground-lease with upfront and/or ongoing revenue
- District doesn't assume financial risk
- All aspects of development are managed by developer

## Cons

- Limited number of units available for District employees
- District doesn't share any financial benefit or control of asset





## ALTERNATIVE USE OPTIONS

# Building Options for Employee Workforce Housing

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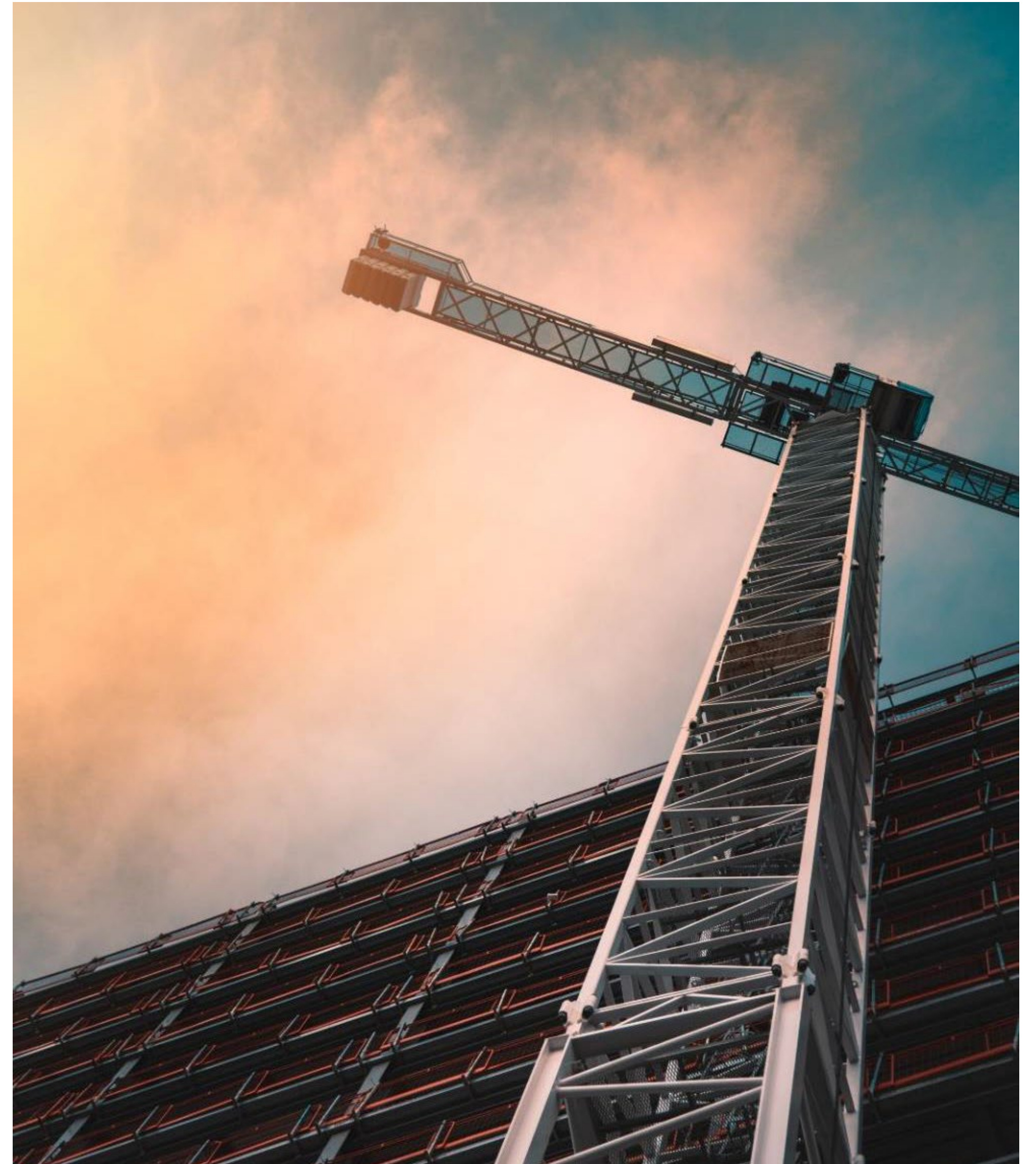
District selects experienced affordable housing developer to build publicly subsidized affordable units.

## Pros

- Benefit of public subsidies
- District doesn't assume financial risk
- All aspects of development are managed by developer

## Cons

- Public subsidies are very competitive
- Governmental funding often comes with restrictions





# How Would You Start?

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- Survey employees to evaluate extent of demand
- Conduct early stakeholder engagement, particularly with employee groups, parent groups, city, board, etc.
- Confirm that there is political will and commitment prior to starting the project
- Designate surplus and/or underutilized property to be studied for suitability

## Additional Considerations

- It's typically open to all employees on a lottery basis for 3-7 years but these parameters are at the District's discretion
- Most projects are medium to high density
- District is NOT the manager of the housing units — third party interacts with tenants



## ALTERNATIVE USE OPTIONS

# Joint Occupancy

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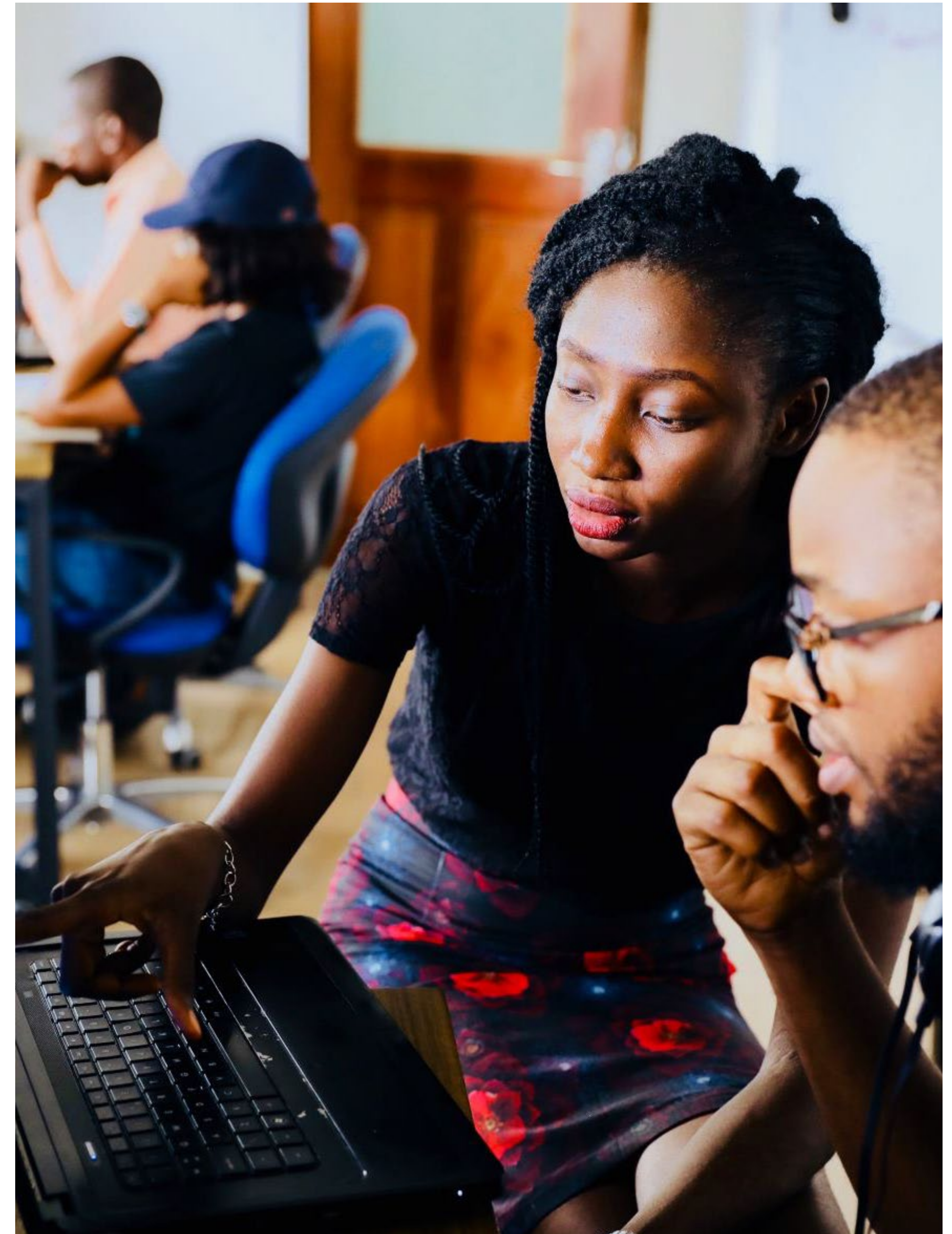
Under EC 17515 *et seq.*, public or private developer constructs a facility on district property to be jointly used

Types of joint occupancy:

- Recreational uses
- Performing arts center
- Billboards
- Commercial, self storage
- Many others

Key features:

- Lease term may be up to 66 years
- Negotiate financing for construction
- Title to facilities to be occupied by developer must remain exclusively the personal property of developer during lease term
- District takes title to area occupied by developer at end of term







## ALTERNATIVE USE OPTIONS

# Joint Occupancy

## Pros

- No formal bidding procedures required, but proposals must be taken and evaluated
- Construction of buildings by developer
- Provides facilities and/or income stream
- Title to building(s) occupied by district vests in district upon completion
- District pays no rental fee or charge for use of building

## Cons / Key Considerations

- Some loss of control
- Portion of building to be used by district must comply with all statutes, rules and regulations governing construction of district facilities
- Portion to be used by developer must comply with local building and zoning regulations
- Requires District use of property and State Board of Education approval



## ALTERNATIVE USE OPTIONS

# Lease of Asset

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## Pros

- Unrestricted use of lease proceeds
- Can generate income and retain title

## Cons

- Limits pool of potential users
- District's lease income is earned on a monthly basis over the agreed upon term of lease; typically income is not as substantial as a lump sum payment
- Ongoing potential liability as a landlord
- If tenant fails to perform, District will need to evict and find a new user



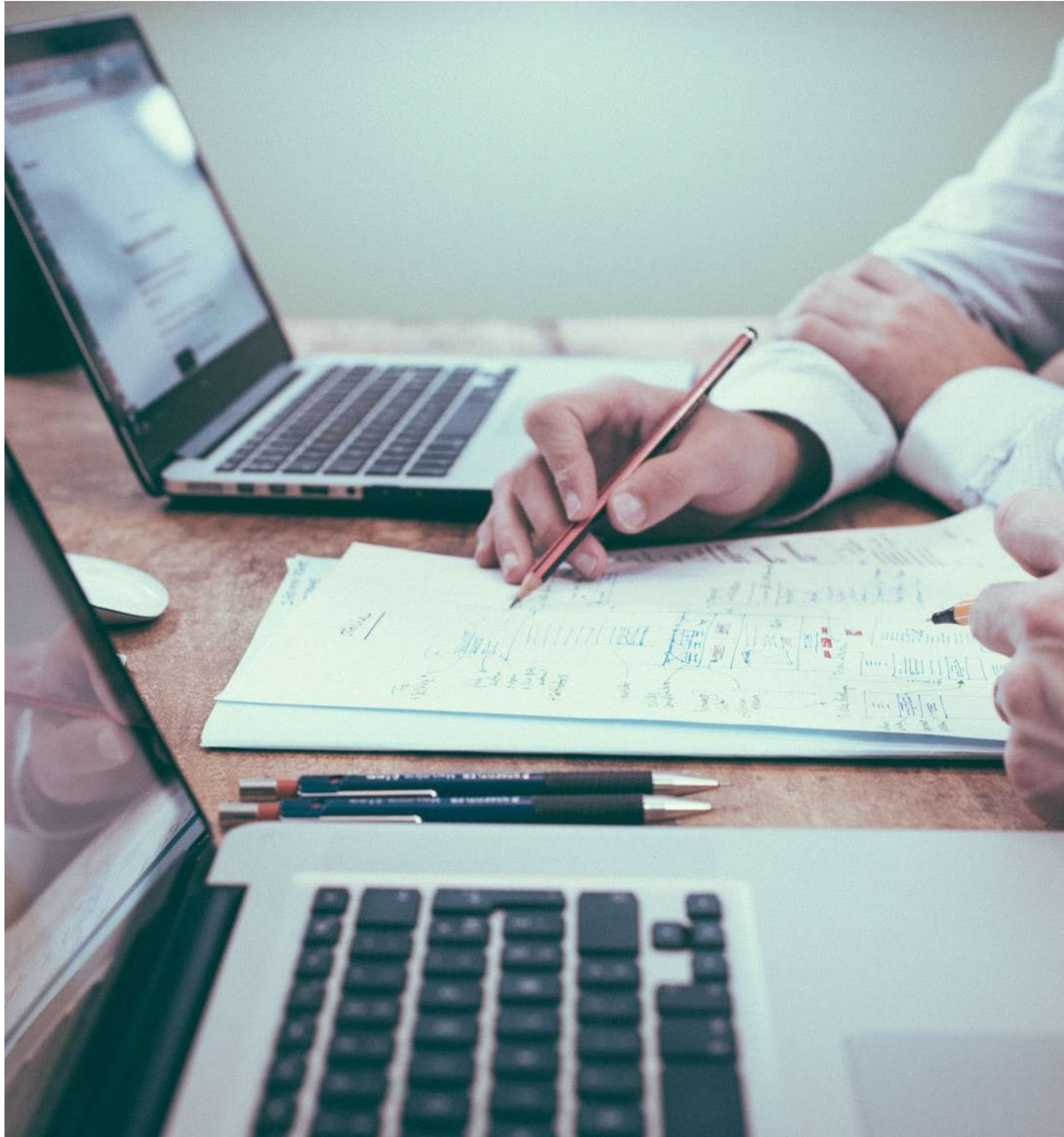


## REAL PROPERTY EXCHANGE

# What Types of Real Property Exchange Are Allowed?

Real property exchanges can be:

- Equal exchange of property for property
- Unequal exchange of property for property and money
- Exchange of different interests in property
  - Land for land and buildings
  - Exchange of leases or easements







## REAL PROPERTY EXCHANGE

# What is Legal Authority for Real Property Exchange?

## Pros

- Very flexible process
  - District can exchange real property “...without complying with any provisions in this code except as provided in this article...”

## Cons / Key Considerations

- Requires property for property exchange; could be challenging to find a suitable property
- Important to look at the interests of the other party to the exchange
- May want appraisal of exchange properties



## ALTERNATIVE USE OPTIONS

# Sale of Asset

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## Pros

- Save operating funds for educational uses
- Reduce maintenance costs
- Avoid penalties
- Generate lump sum funds from sale
- Use of proceeds include capital outlay or non-reoccurring maintenance; one-time general fund use (with SAB determination)

## Cons

- Loss of real property for unforeseen future uses
- Loss of flexibility of use of facilities





## PROCESS

# Process for Sale or Lease of Real Estate



## Identify Site

1. Strategic asset management review of existing property
2. Analyze zoning, General Plan designation, potential valuation
3. Staff and Board determine site(s) to potentially release for sale or lease



## 7-11 Process *(if required)*

1. Convene committee of 7-11 community members
2. Committee submit recommendation to the Board
3. Board receives report and approves resolution on surplus status



## Brokerage

1. Board declares property surplus/exempt surplus
2. Begin notification of required entities
3. Board declares intent to sell or lease property and consider waiver
4. Competitive bidding or RFP process
5. Sale or lease



## ALTERNATIVE USE OPTIONS SUMMARY

	Pros	Cons	Estimated Timeline to Completion
Employee Workforce Housing	<ul style="list-style-type: none"> <li>Depending on building option, District could have total control over rents, access, property, etc.</li> <li>Depending on building option, has the potential to serve as a long-term revenue source for the District</li> </ul>	<ul style="list-style-type: none"> <li>Typically requires upfront financial commitment from the District</li> <li>Depending on building option, District could be responsible bearing all risk</li> </ul>	<b>~32 to 45+ months</b> <ul style="list-style-type: none"> <li>Feasibility analysis</li> <li>Development &amp; Construction</li> </ul>
Joint Occupancy	<ul style="list-style-type: none"> <li>Provides facilities and/or income stream</li> <li>Construction of buildings by developer; District pays no rental fee or charge for use of building</li> <li>Title to building(s) occupied by District vests in District upon completion</li> </ul>	<ul style="list-style-type: none"> <li>Some loss of control</li> </ul>	<b>~ 6 to 8+ months</b> <ul style="list-style-type: none"> <li>Resolution &amp; requests for proposals</li> <li>Proposal review &amp; SBE approval</li> <li>District Board contract approval</li> </ul>
Lease	<ul style="list-style-type: none"> <li>Unrestricted use of proceeds</li> <li>Can generate income and retain title</li> </ul>	<ul style="list-style-type: none"> <li>Limits pool of potential users</li> <li>District's lease income is earned on a monthly basis over the agreed upon term of lease</li> <li>Ongoing potential liability as a landlord</li> <li>If tenant fails to perform, District will need to evict and find a new user</li> </ul>	<b>~ 4 to 6+ months</b> <ul style="list-style-type: none"> <li>Resolution &amp; requests for proposals</li> <li>Public offerings, public bidding</li> <li>District Board contract approval</li> </ul>
Real Property Exchange	<ul style="list-style-type: none"> <li>Very flexible process</li> </ul>	<ul style="list-style-type: none"> <li>Requires property for property exchange; could be challenging to find a suitable property</li> </ul>	<b>~ 6 to 8+ months</b> <ul style="list-style-type: none"> <li>Resolution &amp; requests for proposals</li> <li>Public offerings, public bidding</li> <li>District Board contract approval</li> </ul>
Sale	<ul style="list-style-type: none"> <li>Save operating funds for educational uses; reduce maintenance costs, avoid penalties</li> <li>Generate lump sum funds from sale; use of proceeds include capital outlay or non-reoccurring maintenance; one-time general fund use (with SAB determination)</li> </ul>	<ul style="list-style-type: none"> <li>Loss of real property for unforeseen future uses</li> <li>Loss of flexibility of use of facilities</li> </ul>	<b>~ 4 to 12+ months</b> <ul style="list-style-type: none"> <li>Resolution &amp; requests for proposals</li> <li>Public offerings, public noticing, public bidding</li> <li>District Board contract approval</li> <li>Buyer due diligence &amp; escrow</li> </ul>



THANK YOU

# Questions & Answers

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