
CREATIVE WAYS TO GENERATE REVENUE STREAMS FROM YOUR REAL PROPERTY

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*CALIFORNIA ASSOCIATION OF BLACK SCHOOL EDUCATORS CONFERENCE
“ACHIEVING EQUITY THROUGH PATHWAYS AND INNOVATION”*

Presented By:

Sarine A. Abrahamian, Esq.

Tempestt Garland, Esq.

Orbach Huff Suarez & Henderson LLP



State and Local Funding Sometimes Isn't Enough

- State income doesn't always support increased funding to schools
- Local revenue doesn't always provide enough funding for Districts
- Key question: Where will districts obtain needed funding?
- Key answer: Districts must get creative

School Districts Do Not Go Broke

- Services to students, oftentimes the most needy and underprivileged, are cut
- Teachers and staff are cut
- Classes are combined
- Art and music programs are cut
- Our students need facilities, equipment, and technology to compete in the modern world

So Why We Are Here...



- Look at alternate sources of income for school districts to close the achievement gap for black students
- Provide options for districts other than cuts
- Maximize resources that districts do have

Many Districts Don't Know....

Its Greatest Asset Is Its...

LAND

(LIKELY WORTH MORE THAN THE BUILDINGS ON IT)

GRMLS

What is Asset Management?

- **What is the definition of Asset Management within the context of school property?**
 - Managing a District's properties with priority to school functions, while simultaneously creating an ongoing revenue stream.

Why Not Maximize this Resource?

- **Maybe You Don't See the Potential?**
- **Maybe You Don't Know the Rules?**
- **Maybe You Believe That District Property Should Be Used Only for School Purposes?**



Legal and Business Overview

- **Learn about creative strategies to generate revenue streams from your real property.**
 - Recognize opportunities for generating new revenue streams.
 - Develop action plans to execute the revenue generating strategies.
 - Legally implement those strategies.
 - Examine case studies.

First Things First

- Selling District property is **rarely** the best option.
- Take all necessary steps to retain ownership of District property.
- Property and buildings are some of the District's most valuable assets.



“Surplus” Property

- Surplussing District property is complex and time consuming. Some key points before we move on:
 - **7-11 Committee.** Requires the Board to appoint a “7-11” Committee to make “surplus” recommendation to Board.
 - **Public Offerings/Bidding.** Requires “public offerings” to public entities prior to formal bidding of property to highest bidder for long-term lease or sale.
 - **Charter Schools.** For property surplus after July 1, 2012, [Ed. Code § 17457.5](#) required public school districts to offer that property to any charter school that has requested to be notified. On July 1, 2016, the provision was sunsetted.
 - Even so, similar bills may be introduced in the future.

Potential Transactional Structures

- Consider the following legal structures instead:
 - **Joint Use** (Ed. Code § 17527, *et seq.*)
 - **Joint Occupancy** (Ed. Code § 17515, *et seq.*)
 - **Fee-Generating Facility** (Gov. Code § 5956, *et seq.*)
 - **Property Exchange** (Ed. Code § 17536, *et seq.*)
 - **Community Recreation Act** (Ed. Code § 10900, *et seq.*)

Joint Use

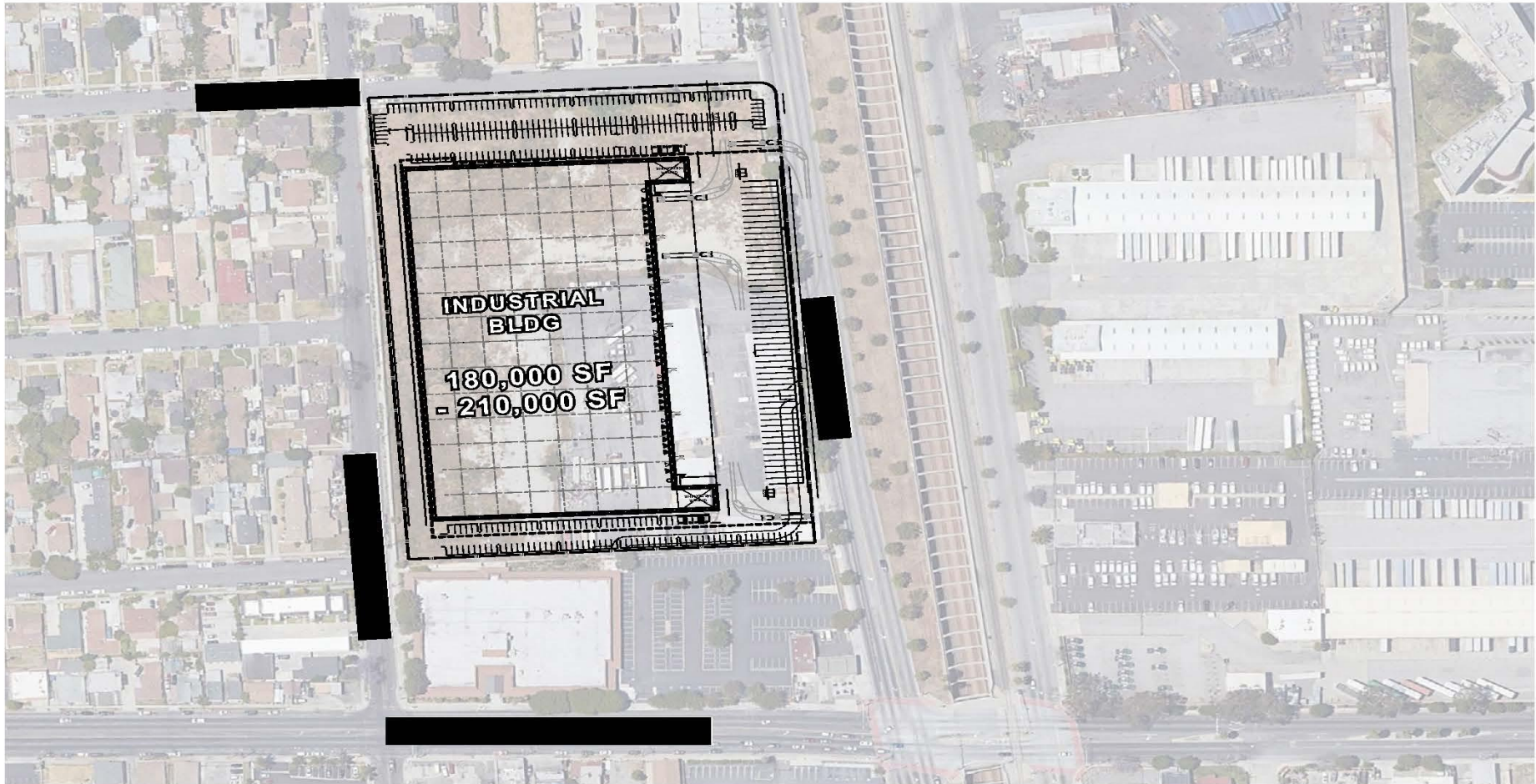
- Ed. Code section 17527, *et seq.*
- District can lease vacant space in operating school buildings on a Joint Use basis to various agencies under certain conditions.
 - 5-year term limit
 - **Exception** → Agreements in which capital outlay improvements are made on school property for park and recreation purposes by public entities and nonprofit corporations. (Ed. Code, § 17534(b).)
 - The City may require compliance with zoning ordinances, use permits, construction or safety codes for a lease for uses other than public or education-related uses.

Joint Use – Board Action

- Prior to entering into a Joint Use Agreement (“JUA”), the Board must approve a Resolution finding that the proposed use will not:
 - Interfere with the educational program or activities of any school or class;
 - Unduly disrupt the residents of the neighborhood; and
 - Jeopardize the safety of children in the school.

Joint Occupancy

- Ed. Code section 17515, *et seq.*
- Joint occupancy lease agreements allow the District and any private person, firm or corporation to jointly use the site.
 - Joint occupancy agreements are a type of “joint venture” that authorizes private development of District-owned property.
 - District must follow specific procedures to utilize.
 - Maximum term is 66 years.



Existing Site

- Used for District purposes
- Underutilized
- Huge Area of Vacant Lot

Proposed Use & Advantages

- Jointly develop for revenue stream
- Continue using for District purposes
- Modern facilities

Joint Occupancy – Steps:

- **Prepare an RFP** to potential vendors inviting them to propose on entering into a joint occupancy agreement with the District.
- **Board Action.** Before advertising and sending proposals out, the Ed. Code requires the District's Board adopt a resolution declaring its intention ("ROI") to consider proposals.
- **Publish the ROI and Send Out Proposals.** After the Board adopts the ROI, the Ed. Code requires the District to publish the ROI once a week for three (3) weeks.

Joint Occupancy – Steps:

- **Hold the Public Meeting Advertised in the ROI.** This meeting must be not less than ninety (90) days after adoption of the ROI.
 - The District’s Board must consider all proposals.
- **Board Approval and SBE Approval.** Ed. Code section 17524(a) states that the Board can “enter into a contract” at this time, but that it shall not enter into a contract “until the governing board has submitted the proposal to the State Board of Education [“SBE”], and the [SBE] has approved the proposal.”

Ground Lease – Site Determination

- Determine Long Term District Goals
- Surrounding Land Uses & Site Constraints
 - Local Zoning Regulations
 - Potential City Benefits from Non-School Use
 - Market Conditions

Ground Lease – Site Determination



- Surrounding Development
- Site Access
- Zoning Designation/Entitlements

- Type of Development
- Community/Public Support
- Potential Neighbors

Ground Lease – Considerations

- Legal Structure
 - Joint Occupancy
 - Joint Use
 - Fee Generating
- CEQA Analysis
- Selection Process – Brokerage Marketing Firm RFP
- Request for Proposals – Bids to Develop Property
- Selection Process – Developer

Ground Lease – Economic Benefits

- Revenue

- Balance Private and District uses to maximize returns.
- Potential “Bonding” of your income stream.

- Joint Use of Space for Programs.

Teacher Housing: A New Alternative

- Over the last 10 years, school districts have begun to consider teacher housing as a new Joint Occupancy use
- Board may adopt policies to develop teacher housing under Joint Occupancy agreements on underutilized District parcels that cannot be developed with bond funds



Teacher Housing – SB-1413

- SB-1413 was signed into law by Governor Brown in September 2016
 - Created the **Teacher Housing Act of 2016 (Health and Safety Code section 53570, et seq.)**
- It authorizes school districts to establish and implement creative housing options for recruitment and retention purposes
- Purpose of SB-1413 is to “facilitate the acquisition, construction, rehabilitation, and preservation of affordable rental housing for teachers and school district employees to allow teachers or school district employees to access and maintain housing stability.” (Health & Safety Code, § 53571(a).)

Teacher Housing – Steps

- Ensure teacher housing development program will comply with existing zoning and financial concerns
- Consider early engagement of stakeholders and planning groups to vet potential development proposals
- Engage the support of Board members located in the areas to be developed
- Conduct due diligence to identify site conditions and constraints

Teacher Housing – AB1157

- Exempts school districts from the required Asset Management hearing when surplus land or facilities will be used for teacher and staff housing (Ed. Code, § 17391)
- Clarifies that financing proceeds expended for capital outlay purposes can be used for school district employee housing. (Ed. Code, § 17456)
- Clarifies that school districts and community college districts may engage in agreements to provide housing for employees of either institution (Rev. & Tax Code, § 202)
- Clarifies that property owned by a county and used to house county employees may also house employees of a school district or community college district within the same jurisdiction (Rev. & Tax Code, § 202)

Teacher Housing – Project Example



LAUSD – Sage Park Apartments

Fee-Generating Facility

- Gov. Code section 5956, *et seq.*
- District may solicit proposals and enter into agreements with private entities for the design, construction, or reconstruction of certain types of fee-producing infrastructure projects.
 - “Fee-producing infrastructure project” means that it will be paid for by the persons or entities benefited by or utilizing that facility.
 - Private entity selected by competitive negotiation process, not by formal bidding.
 - Maximum Term of 35 Years.

Fee-Generating Facility – Projects

- Examples of fee-producing infrastructure projects include:

- c. Energy or power production

- d. Water supply, treatment, and distribution

- e. Flood control

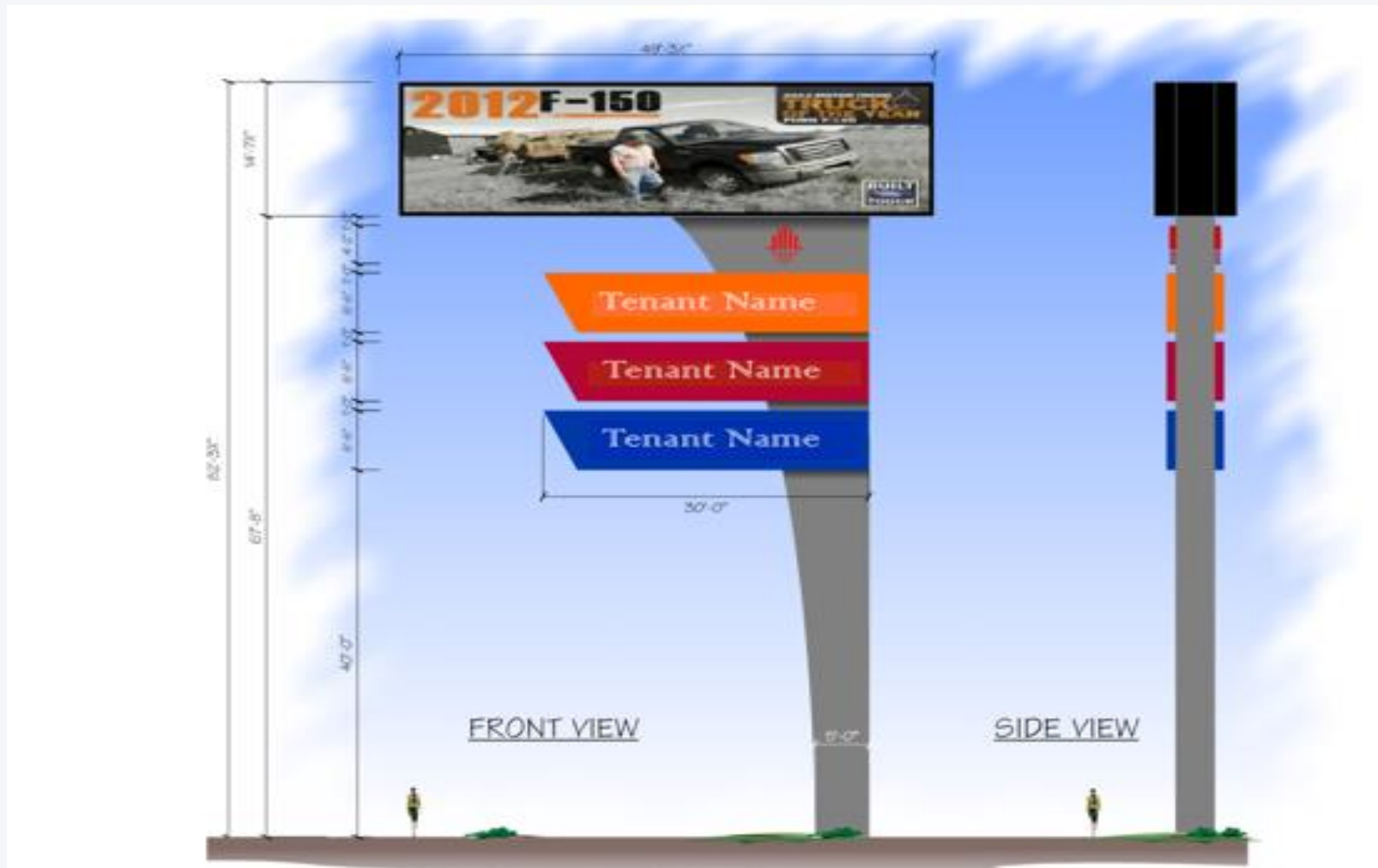
- p. Structures or buildings, except those that are to be used primarily for sporting or entertainment events

(Ed. Code, § 5956.4.)

Outdoor Billboard – Benefits

- Revenue
 - Potential returns to District can range from \$50,000 to \$250,000 annually, depending on location and type of billboard.
 - “Net Lease” Agreement, with \$0 operating costs to District.
- “Up front” costs recouped immediately.
- Potential to “Bond” your income stream.
- Advertising for School and Community Events.
- Amber Alerts.

Outdoor Billboard – Sample Sign



Outdoor Billboard – Sample Sign



Outdoor Billboard – Overview

- Identify potential locations for billboard sign opportunities.
- Develop overall plan for billboard installation.
- Develop a streamlined and efficient approach to obtaining entitlements from permitting authorities.
- Obtain environmental / CEQA clearance.
- Draft and negotiate agreements with sign companies and permitting authorities.

Outdoor Billboard – Entitlements

- Determine Long Term District Goals
 - Future Uses of School Property
 - Future Funding Needs
- Surrounding Land Uses & Site Constraints
- Caltrans Regulations
 - Landscape Freeway
 - Permits
- Local Regulations
 - Zoning
 - Zoning work-arounds like overlays and development agreements

Outdoor Billboard – Process

- Legal Structure
 - Joint Occupancy
 - Joint Use
 - Fee Generating Facility
- CEQA Analysis
- Requests for Proposals – Bids

Property Exchange – Overview

- The District may exchange any of its real property for real property of another entity.
 - Any exchange shall be upon terms the parties may agree and may be entered into without complying with other disposition requirements. (Ed. Code § 17536.)
- Board shall adopt, by a 2/3 vote, a resolution declaring its intention to exchange the property.

Property Exchange – Due Diligence

- Appraisals
- Local Zoning Impacts
- Two Party, Three Party Negotiations
- Property Due Diligence

Property Exchange – Benefits

- Avoid Un-Used Sites Being Assessed by the State.
- Reduce/Eliminate M & O on Closed Sites.
- Facilities Closer to Student Population Being Served.

Community Recreation Act

- Education Code section 10900, *et seq.*
 - Public to Public
- Authorizes and empowers cities and public school districts to cooperate with one another for the purpose of authorizing, promoting, and conducting programs of public services
 - These programs should contribute to the attainment of general recreational and educational objectives for children and adults of the state.
- Authorizes cities and school districts to enter into agreements with each other for such purposes

Thank You!

Sarine A. Abrahamian, Esq.

Partner – Orbach Huff Suarez & Henderson

sabrahamian@ohshlaw.com

Tempestt Garland, Esq.

Associate – Orbach Huff Suarez & Henderson

tgarland@ohshlaw.com