



**San Francisco Unified School District**

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August 13, 2013

San Francisco Board of Supervisors  
c/o Clerk of the Board, Angela Calvillo  
Attn. Government Audit and Oversight Clerk  
1 Dr. Carlton B. Goodlet Place  
Room 244  
San Francisco, CA 94102-4689

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BOARD OF SUPERVISORS  
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Dear Ms. Calvillo:

Attached please find an information copy of the San Francisco Unified School District's response to the 2012-2013 Civil Grand Jury Report entitled "*Optimizing the Use of Publicly-Owned Real Estate*" which was released on June 13, 2013. The attached document responds to the findings and recommendations in the civil grand jury report as required by California Penal Code Sections 933 and 933.05.

Sincerely,

Angela Miller, Senior Deputy General Counsel

Encl.

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT RESPONSE TO CIVIL GRAND  
JURY REPORT "OPTIMIZING THE USE OF PUBLICLY-OWNED REAL ESTATE"  
(Released on June 13, 2013)**

For each Finding of the Civil Grand Jury, the response must either: (1) agree with the finding, or (2) disagree with it, wholly or partially, and explain why. For each Recommendation made by the Civil Grand Jury, the responding party must provide one of the four responses:

Response One: the recommendation has been implemented, with a summary explanation of how it was implemented;

Response Two: the recommendation has not been implemented, but will be implemented in the future, with a time frame for the implementation;

Response Three: the recommendation requires further analysis, with an explanation of the scope of that analysis and a time frame for the officer or agency head to be prepared to discuss it (less than six months from the release of the report); or

Response Four: the recommendation will not be implemented because it is not warranted or reasonable, with an explanation of why that is.

**FINDINGS**

For each Finding of the Civil Grand Jury, the response must either: (1) agree with the finding, or (2) disagree with it, wholly or partially, and explain why.

- 1. Inadequate readily-accessible public information on publicly-owned real estate is part of the reason some properties have been allowed to languish and deteriorate, at a loss to the City. A more rational approach to handling under-utilized or surplus property requires that a comprehensive, detailed list of public properties is available on an ongoing basis. The Fleishacker Pool House is a perfect example of a situation where being "out of sight, out of mind" allowed a property to become so neglected that it was destroyed by fire, resulting in a real loss for the City. A more transparent property database will make such occurrences less likely in future.**

Response: Disagree.

The San Francisco Unified School District maintains a comprehensive list of all properties owned, leased or occupied by the District. This comprehensive list is organized by assessor's parcel number and includes information including but not limited to the property by address, name, use, lot area, building area, number of classrooms, programs and whether the property is leased to non-SFUSD users or tenants. In 2007, 2009 and 2010 this comprehensive property list, with yearly updates, was included as an integral part of the District's published and Board of Education approved "10 Year Capital Plan." This was a public document that was posted on the District website with access to all members of the public who are interested. The property inventory is updated regularly to reflect the current status and use of all SFUSD owned and leased properties and is jointly shared with the City. The District anticipates an update to the 10 Year Capital Plan within the next year.

- 2. Lack of transparent public debate contributes to suboptimal use of City real estate assets. The Kirkland property is a perfect case in point. SFMTA may have a good case for retaining the property as a bus maintenance yard as recommended by its consultant. However, allowing SFMTA to abandon stated plans for converting the property to commercial and/or residential use without public debate prevents possibly better, more economically efficient alternatives from being considered.**

Response: Finding not applicable to SFUSD.

- 3. Current practice allows City Departments and SFUSD to keep property on their surplus lists indefinitely without any consequence. The concern for a more rational approach to handling under-utilized or surplus property requires that a time limit be imposed on how long property may remain on these lists. If, after a pre-determined period, property which is identified as surplus or under-utilized has not been put into use or fully utilized or no plans have been adopted for its use or full utilization, there should be specified consequences for the failure to act.**

Response: Disagree.

The California Education Code specifies a precise and complex process for public school districts to declare properties surplus and eventually dispose of properties. In 2006 the Board of Education appointed a "Surplus Property 7-11 Committee (composed of more than seven but no more than eleven members) in order to determine whether there were properties within the district that were not "being used for educational purposes" that could be determined surplus. In May of 2007 the Committee presented the "Surplus Property Report" to the Board of Education and the Board declared 10 properties surplus, including up to 20% of the district space and real property that may be considered surplus due to declines in enrollment in the previous decade.

Since that action in 2007, significant changes have occurred within the District. The District's enrollment has seen slow but steady growth upward. A new student enrollment policy and transportation policy have changed the way families throughout the District select and enroll their children in public schools. The District has embarked on a number of significant academic initiatives, all with the purpose to close the decades old achievement gap between certain groups within the City. This has significantly changed the grade configurations of a number of District schools and seen several previously closed schools reopen with new programs and a new focus. In addition, the District has seen an increased number of public charter schools demanding facilities from the District under State Proposition 39.

As an example of rapid changes occurring within the District, the following has occurred since 2007 at 7 of the 10 sites that were originally named as surplus:

1. 20 Cook Street: Fully occupied administrative center for the District's rapidly expanding Early Learning/Child care programs. The Property is no longer considered surplus.

2. 1155 Page Street: Property Leased to a private PreK/child-care school on a 20 year ground lease. Property is no longer considered surplus.
3. 700 Font Blvd: Sold in 2011 to San Francisco State University for \$11.1 million.
4. 2340 Jackson school site: Building was fully renovated and reopened as the new District SF Montessori public school. Property is no longer surplus.
5. 1512 Golden Gate Avenue: Building was fully renovated and reopened as the Creative Arts and Gateway Middle school public charter schools. Property is no longer surplus.
6. Properties located at 1950 Mission, 1101 Connecticut Street will be part of a multi-parcel property exchange currently in progress and anticipated to occur within the next 6 months.

These 7 sites represent only a fraction of the dramatic site changes throughout the district caused by the fluid and changing conditions of public education in San Francisco. In addition to these developments, a new school was recently reopened at the previously leased site for the new District Chinese Immersion E.S.; a new middle school was constructed at Bessie Carmichael; and a new middle school for 650 students is being constructed to replace the former Willie Brown Academy School in the Bayview. Imposing arbitrary time limits or specified consequences on how long property may remain on a surplus property list would provide the District with little or no ability to respond to the fluid and changing conditions within the District for facility needs.

4. **Passive management of publicly-owned real estate leads to valuable properties lying fallow for years. The City and SFUSD leadership must be charged and empowered to develop plans for utilization of surplus/underutilized parcels, including public-private partnerships where feasible and desirable. Very valuable properties owned by City departments and SFUSD have been underutilized for decades and present prime opportunities to be repurposed or sold to create value for the City and SFUSD. As noted in this report, the properties at 155/165 Grove Street, the Fire Chief's House at 870 Bush Street, the lot at 7<sup>th</sup> Avenue and Lawton Street, and 1950 Mission Street are a few examples of properties that have been passively managed.**

Response: Disagree in part.

While the District agrees that historically the management of real estate assets could have been performed in a less passive manner, selling off valuable properties would not solve the severe financial problems faced by school districts throughout the state. However, SFUSD leadership recognizes the importance of maximizing and leveraging all district assets for revenues that can aid the general fund as a sound business practice and as a potential way to offset the often erratic ebb and flow of state funding for education.

Therefore, District leadership determined that a new approach and strategy was required to more aggressively manage SFUSD's real estate assets. A "Real Estate Working Group" was established to take overall leadership in the area, including the Deputy Superintendent of Policy and Operations, the Chief Facilities Officer, General Counsel, Chief Financial Officer, a consultant Real Estate/property lease and transaction specialist

and several others to optimize the use of surplus and under-utilized real estate through its development or disposition within the overall fluid education needs of the District. This group meets regularly and jointly commissions studies, evaluates property transaction or lease proposals, negotiates pending transactions and makes all recommendations to the Board of Education.

This group has seen great success since its establishment 2 years ago. They concluded a successful \$11.1 million dollar surplus property sale to San Francisco State University, are in the process of negotiating a long term lease for use of district property that will generate millions of dollars of additional revenue to the district general fund over the next 10-12 years and are concluding a multi-property sale and exchange with the Mayor's Office of Housing which will provide benefits to both the District and the City. The District believes that this more aggressive property and asset management and leadership strategy has been highly effective in producing positive results that are also sensitive to the overall District academic strategic plan and project growth expectations.

5. **Given the location of 135 Van Ness Avenue and 170 Fell Street in the heart of the City's cultural center, and the historic nature of the structures, their current status is far from the highest and best use of these unique properties. Plans by SFUSD to convert the properties into the School of the Arts have not moved forward because of, among other reasons, a lack of needed funding. Yet, at the time, and now, SFUSD owned and continues to own, sufficient surplus and underutilized property that if sold could fund the entire project. Other alternative and better uses of this complex may be possible.**

Response: Disagree.

The District remains fully committed to the long term strategy of relocating the Ruth Asawa School of the Arts to the historic 135 Van Ness block in the heart San Francisco's Civic Center. The Superintendent has included this strategy as an integral part of several major academic initiatives launched throughout the District that include the arts, science, technology, engineering and math. The challenges of bringing the relocation of SOTA to Civic Center are many and complex. Current FY2013 cost projections and analysis to renovate the 135 Van Ness block for the School of the Arts are \$235 million, not including the relocation of the current district administrative staff housed at the 135 Van Ness site. However, this cost remains similar to the cost of other public performing arts high schools across the nation and is less than the \$350 million for the new school of the arts in Los Angeles.

The civil grand jury report suggests that the District could fund the entire \$235 million project costs by selling surplus and underutilized properties. As an example it is suggested that selling the current Ruth Asawa School of the Arts at the McAteer Campus would be a significant start. The District's real estate consultant CBRE, Inc. has estimated that the value of the McAteer site with "highest and best use" development would be approximately \$25 million. The majority of the District's underutilized properties are not the properties of highest value. To even come close to the target cost

for the SOTA renovation the District would have to sell Mission High School, Balboa High School, Galileo High School, Burton High School, Lowell High School, Washington High School and three other of its largest and most valuable properties to raise the required funding. The District believes and remains committed to the strategy that a combination of State and local bond funding together with public and private partnerships and a significant and large private capital campaign from persons committed to the arts and arts education can still provide the funding for that exciting project.

## **RECCOMENDATIONS**

For each Recommendation made by the Civil Grand Jury, the responding party must provide one of the four responses:

Response One: the recommendation has been implemented, with a summary explanation of how it was implemented;

Response Two: the recommendation has not been implemented, but will be implemented in the future, with a time frame for the implementation;

Response Three: the recommendation requires further analysis, with an explanation of the scope of that analysis and a time frame for the officer or agency head to be prepared to discuss it (less than six months from the release of the report); or

Response Four: the recommendation will not be implemented because it is not warranted or reasonable, with an explanation of why that is.

### **Recommendation 1.2: The online database of all properties owned by SFUSD and all City Departments, including revenue-generating enterprise departments, needs to include information required by Sec. 23A of the Administrative Code.**

The recommendation will not be implemented because it is not warranted or reasonable. The “Surplus City Property Ordinance” does not apply to school district properties. The definitions in the ordinance state that the term “Property” shall mean any real property owned by the City and County of San Francisco, excluding land and buildings reserved for open space or parks purposes, or any land dedicated for public right-of-way purposes, or any land used or reserved for transit lines, or public utility rights-of-way, or any publicly dedicated streets or rights-of-way. ‘Property’ shall not include any real property owned by or on behalf of the San Francisco Unified School District.” (SF Admin. Code 23.A.4 (f) (Emphasis added)).

The San Francisco Unified School District maintains a comprehensive list of all properties owned, leased or occupied by the District. This comprehensive list is organized by assessor’s parcel number and includes property information, including but not limited to, the property by address, name, use, lot area, building area, number of classrooms, programs and whether the property is leased to non-SFUSD users or tenants. In 2007, 2009 and 2010 this comprehensive property list, with yearly updates, was included as an integral part of the District’s published and Board of Education approved “10 Year Capital Plan” This was a public document and was posted on the District Website accessible to all members of the public who are interested. The property inventory is updated regularly to reflect the current status and use of all District owned and leased properties and the District anticipates an update to the 10 Year Capital Plan within the next year.

**Recommendation 2: The City and the SFUSD should activate their respective Surplus Property Advisory Committees because the meetings of these committees provide a public forum in which to discuss best uses of publicly-owned real estate and each committee should be charged with monitoring uses of public property and making sure that there is ongoing accountability with respect to surplus and underutilized properties.**

Response: The recommendation will not be implemented because it is not warranted or reasonable at this time. There currently are no additional properties “not being used for educational purposes” within the District that should be reclassified or declared surplus under the conditions of the Education Code to be designated surplus and subject to possible sale. However, the District recognizes that should conditions change and the reactivation of this committee becomes necessary, the District will do so.

**Recommendation 4: The Board of Supervisors and the SF Board of Education should each adopt rules which limit the length of time property may remain on their respective surplus list without action and which address consequences for such inaction.**

Response: The recommendation will not be implemented because it is not warranted or reasonable. The District will comply with Education Code requirements for declaring properties as surplus and for disposing of surplus properties. The educational program and administrative facility requirements for the District are fluid and the District must remain flexible with regard to the disposition and use of school sites and properties in order to respond to these changing needs, as explained in response to Finding #3 above.

**Recommendation 5.1: The SFUSD needs to designate someone, who is given appropriate authority, whose time and energy is devoted solely to optimizing use of surplus and underutilized real estate through its development or disposition. That person should work with the City’s Capital Planning Policy Committee and Surplus Property Advisory Committee to incorporate surplus and underutilized property into the SFUSD’s and City’s 10-year rolling Capital Plans.**

Response: The recommendation will not be implemented because it is not warranted or reasonable. Previously, the District had a full time Director of Real Estate position. That position was eliminated two years ago due to District-wide budget reductions and as District leadership determined that a restructuring and more effective strategy was required in the District’s approach to their property assets and management of those assets.

Therefore, a “Real Estate Working Group” was established, including the Chief Facilities Officer, Deputy Superintendent of Policy and Operations, General Counsel, Chief Financial Officer, a consultant Real Estate/property lease and transaction specialist and several others to optimize the use of surplus and under-utilized real estate through its development or disposition within the overall fluid education needs of the District. This group meets regularly and jointly commissions studies, evaluates property transaction or lease proposals, negotiates pending transactions and makes all recommendations to the Board of Education. This group has had great success since its establishment 2 years ago. They concluded a successful \$11.1 million dollar surplus property sale to San Francisco State University, are in process of negotiating a

long term lease for use of district property that will generate millions of dollars of additional revenue to the district general fund over the next 10-12 years and are in process of concluding a multi-property sale and exchange with the Mayor's Office of Housing. The District believes that this leadership strategy has been highly effective in producing positive results that are also sensitive to the overall District academic strategic plan and project growth expectations.

**Recommendation 6: The entire complex of historic buildings at 135 Van Ness / 170 Fell Street, including Nourse Auditorium, should be put to productive use by, for example, converting the complex into the School for the Arts.**

Response: The recommendation has been implemented, but still requires significant further work and capital development. The Superintendent has rolled out a number of District strategic initiatives that are critical to closing the achievement gap and raising the education bar to the highest levels possible. Paramount in those initiatives are programs for STEM (Science, Technology, Engineering and Math) and the Arts, of which a key component is the relocation of the Ruth Asawa School of the Arts from the McAteer Campus to the 135 Van Ness block, located in the heart of the San Francisco arts civic center district. Currently, the District has retained a new architect to refresh the program and design for the school and that work is now in progress. The District recognizes that significant obstacles still remain to fund the now estimated \$235 million project design and construction costs, but with the improving economy and significant private sector benefactors for the arts, the District is now more optimistic that a significant private capital campaign, coupled with other funding sources can successfully be put together to bring this long anticipated project to reality.