

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
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TDD/TTY No. 544-5227

October 15, 2013

The Honorable Cynthia Ming-Mei Lee
Presiding Judge
Superior Court of California, County of San Francisco
400 McAllister Street
San Francisco, CA 94102

Dear Judge Lee:

The following is a report on the 2012-2013 Civil Grand Jury Report, "Optimizing the Use of Publicly-Owned Real Estate: Achieving Transparency, Momentum, and Accountability"

The Board of Supervisors' Government Audit and Oversight Committee conducted a public hearing on September 12, 2013 to discuss the findings and recommendations of the Civil Grand Jury and the departments' responses to the report.

The following City Departments submitted responses to the Civil Grand Jury (copies enclosed):

- San Francisco Municipal Transportation Agency, dated July 29, 2013
(Response to Kirkland Facility)
- Mayor's Office, dated August 12, 2013, submitted a consolidated response for:
 - a. Department of Technology
 - b. Planning Department
 - c. Real Estate Department
 - d. Director of Capitol Planning
 - e. City Administrator(Findings 1, 2, 3, and 5 and Recommendations 1.1, 1.2, 1.3, 1.4, 2, 3, and 5.2)
- San Francisco Unified School District, dated August 13, 2013, submitted a consolidated response for:
 - a. Superintendent of Schools
 - b. Board of Education(Findings 1, 2, 4, 5, and 6 Recommendations 1.2, 2, 4, 5.1, and 6)

The Report was heard in committee and a resolution prepared for the Board of Supervisors' approval that formally accepted or rejected the findings and recommendations that required the Board of Supervisors response (copy of Board Resolution No. 339-13 enclosed).

If you have any questions, please contact me at (415) 554-5184.

Sincerely,

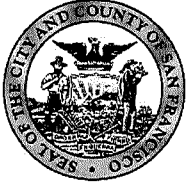
A handwritten signature in black ink, appearing to read "Angela Calvillo".

Angela Calvillo
Clerk of the Board

c:

Members, Board of Supervisors
Martha Mangold, Foreperson, 2012-2013 Civil Grand Jury
Pat Kilkenny, Court Coordinator, Civil Grand Jury
Ben Rosenfield, City Controller
Jon Givner, Deputy City Attorney
Severin Campbell, Budget and Legislative Analyst's Office
Katherine Short, Budget and Legislative Analyst's Office
Antonio Guerra, Mayor's Office
Naomi Kelly, City Administrator

John Updike, Real Estate Department
John Rahaim, Planning Department
AnMarie Rodgers, Planning Department
Brian Strong, Director of Capitol Planning
Chris Armentrout, Superintendent of Schools
David Goldin, San Francisco Unified School
District
Marc Touitou, Department of Technology



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Certified Copy

Resolution

130604

[Board Response - Civil Grand Jury Report - "Optimizing the Use of Publicly-Owned Real Estate: Achieving Transparency, Momentum, and Accountability"]

Resolution responding to the Presiding Judge of the Superior Court on the findings and recommendations contained in the 2012-2013 Civil Grand Jury Report entitled "Optimizing the Use of Publicly-Owned Real Estate: Achieving Transparency, Momentum, and Accountability" and urging the Mayor to cause the implementation of accepted findings and recommendations through his/her department heads and through the development of the annual budget. (Clerk of the Board)

9/24/2013 Board of Supervisors - ADOPTED

Ayes: 10 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang and Wiener
Absent: 1 - Yee

10/4/2013 Mayor - RETURNED UNSIGNED

STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO

CLERK'S CERTIFICATE

I do hereby certify that the foregoing Resolution is a full, true, and correct copy of the original thereof on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City and County of San Francisco.

October 15, 2013

Date

Angela Calvillo
Clerk of the Board

AMENDED IN COMMITTEE
9/12/2013

FILE NO. 130604

RESOLUTION NO. *339-13*

1 [Response to the 2012-2013 Civil Grand Jury Report Entitled "Optimizing the Use of Publicly-
2 Owned Real Estate: Achieving Transparency, Momentum and Accountability"]

3 **Resolution responding to the Presiding Judge of the Superior Court on the findings**
4 **and recommendations contained in the 2012-2013 Civil Grand Jury Report entitled**
5 **"Optimizing the Use of Publicly-Owned Real Estate: Achieving Transparency,**
6 **Momentum and Accountability;" and urging the Mayor to cause the implementation of**
7 **accepted findings and recommendations through his/her department heads and**
8 **through the development of the annual budget.**

9
10 WHEREAS, Under California Penal Code Section 933 et seq., the Board of
11 Supervisors must respond, within 90 days of receipt, to the Presiding Judge of the Superior
12 Court on the findings and recommendations contained in Civil Grand Jury Reports; and

13 WHEREAS, In accordance with Penal Code Section 933.05(c), if a finding or
14 recommendation of the Civil Grand Jury addresses budgetary or personnel matters of a
15 county agency or a department headed by an elected officer, the agency or department head
16 and the Board of Supervisors shall respond if requested by the Civil Grand Jury, but the
17 response of the Board of Supervisors shall address only budgetary or personnel matters over
18 which it has some decision making authority; and

19 WHEREAS, The 2012-2013 Civil Grand Jury Report entitled "Optimizing the Use of
20 Publicly-Owned Real Estate: Achieving Transparency, Momentum and Accountability" is on
21 file with the Clerk of the Board of Supervisors in File No. 130603, which is hereby declared to
22 be a part of this resolution as if set forth fully herein; and

23 WHEREAS, The Civil Grand Jury has requested that the Board of Supervisors respond
24 to Finding Nos. 3 and 4 as well as Recommendations 3 and 4 contained in the subject Civil
25 Grand Jury report; and

1 WHEREAS, Finding No. 3 states: "The purposes for which the Surplus Property
2 Ordinance was adopted are too narrow to effectively motivate City departments to identify
3 surplus and underutilized properties for other uses or disposition. Further, the ordinance does
4 not provide a department with any incentive to dispose of surplus or underutilized property;"
5 and

6 WHEREAS, Finding No. 4 states: "Current practice allows City Departments and San
7 Francisco Unified School District (SFUSD) to keep property on their surplus lists indefinitely
8 without any consequence. The concern for a more rational approach to handling under-
9 utilized or surplus property requires that a time limit be imposed on how long property may
10 remain on these lists. If, after a pre-determined period, property which is identified as surplus
11 or underutilized has not been put into use or fully-utilized or no plans have been adopted for
12 its use or full-utilization, there should be specified consequences for the failure to act;" and

13 WHEREAS, the Recommendation No. 3 states: "The Board of Supervisors should
14 amend Chapter 23A of the Administrative Code to include an incentive for City Departments
15 to identify and dispose of surplus and underutilized properties and to broaden the purposes
16 for which surplus and underutilized properties may be used;" and

17 WHEREAS, the Recommendation No. 4 states: "The Board of Supervisors and the SF
18 Board of Education should each adopt rules which limit the length of time property may
19 remain on their respective surplus list without action and which address consequences for
20 such inaction;" and

21 WHEREAS, in accordance with Penal Code Section 933.05(c), the Board of
22 Supervisors must respond, within 90 days of receipt, to the Presiding Judge of the Superior
23 Court on Finding Nos. 3 and 4 as well as Recommendations 3 and 4 contained in the subject
24 Civil Grand Jury report; now, therefore, be it

1 RESOLVED, That the Board of Supervisors reports to the Presiding Judge of the
2 Superior Court that it agrees with Finding 3; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors reports that it disagrees
4 partially with Finding 4 for reasons as follows: the SFUSD is required to abide by the
5 constraints established in the Education Code regarding the management of properties, which
6 may prevent the full observance of the issued Finding; and, be it

7 FURTHER RESOLVED, That the Board of Supervisors reports that it requires further
8 analysis for Recommendation 3 for reasons as follows: the Board will work with our City
9 departments, such as the Real Estate Division, to examine amending Chapter 23A of the
10 Administrative Code within six months of the publication of the Civil Grand Jury report, from
11 June 13, 2013 to no later than December 13, 2013; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors reports that it requires further
13 analysis for Recommendation 4 for reasons as follows: the Board will work with SFUSD and
14 other City departments to examine what should be considered within six months of the
15 publication of the Civil Grand Jury report, from June 13, 2013 to no later than December 13,
16 2013; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors urges the Mayor to cause the
18 implementation of accepted findings and the recommendation through his/her department
19 heads and through the development of the annual budget.



City and County of San Francisco

Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 130604

Date Passed: September 24, 2013

Resolution responding to the Presiding Judge of the Superior Court on the findings and recommendations contained in the 2012-2013 Civil Grand Jury Report entitled "Optimizing the Use of Publicly-Owned Real Estate: Achieving Transparency, Momentum, and Accountability" and urging the Mayor to cause the implementation of accepted findings and recommendations through his/her department heads and through the development of the annual budget.

September 12, 2013 Government Audit and Oversight Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

September 12, 2013 Government Audit and Oversight Committee - RECOMMENDED AS AMENDED

September 24, 2013 Board of Supervisors - ADOPTED

Ayes: 10 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang and Wiener
Absent: 1 - Yee

File No. 130604

I hereby certify that the foregoing Resolution was ADOPTED on 9/24/2013 by the Board of Supervisors of the City and County of San Francisco.

[Signature]
Angela Calvillo
Clerk of the Board

Unsigned

10/4/13

Mayor

Date Approved

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

[Signature]
Angela Calvillo
Clerk of the Board



July 29, 2013

Martha M. Mangold
Foreperson
County of San Francisco Civil Grand Jury
400 McAllister Street, Room 008
San Francisco, CA 94102-4512

Subject: Response to the Civil Grand Jury's Report on Optimizing the Use of Publicly Owned Real Estate

Dear Ms. Mangold:

This letter is in response to the Civil Grand Jury's Report on *Optimizing the Use of Publicly Owned Real Estate*. The SFMTA appreciates the work of the Grand Jury and wanted to provide you with SFMTA's comments on the section of the report that applies to the Kirkland facility.

Since around 1950, the SFMTA has used the 2.6 acres on Beach at Stockton Streets in Fisherman's Wharf -- Kirkland Yard -- to site buses that provide daily transit service to thousands of Muni riders particularly in the Northern part of the City. Over time, the surrounding land uses have changed. In the past decade, the SFMTA considered relocation of the bus operations from Kirkland to make the site available for alternate uses. However, given the growth in the City and the new transportation projects and vehicles required to support the growth plus the fact that most of the transit facilities are now in the southern part of the City, the SFMTA has felt it was imperative that we continue to use Kirkland as a transit facility.

The need to keep this facility for transit needs has been confirmed by the recently completed *SFMTA's Real Estate and Facilities Vision for the 21st Century Report* (summary report attached), SFMTA now considers Kirkland to be a necessary and strategic location for transit vehicle storage and maintenance, due to location, operating considerations, changing fleets, and constrained real estate. The study did identify some measures that SFMTA should take to address community concerns such as:

- Reducing the fleet assigned to the site, thus eliminating the need to use surrounding streets for normal on-site operations;
- Using the site for articulated buses (including vehicles required for bus rapid transit services) to increase flexibility; and
- Reducing impact on the surrounding neighborhood with canopy-covered facility.

The City's demand for more transit service is expected to grow to an estimated one million Muni riders by 2030. To accommodate the updated ridership projections and provide reliable increased service, SFMTA must retain all existing real estate, and also consider additional sites.

One South Van Ness Ave.
Seventh Floor
San Francisco, CA 94103

Tele: 415.701.4500

www.sfmta.com





SFMTA Response to Civil Grand Jury's Report on Optimizing the Use of Publicly Owned Real Estate
July 29, 2013
Page 2 of 2

SFMTA remains committed to working with neighborhoods and communities to minimize impacts from transit operations at the Kirkland Yard.

Thank you for the opportunity to review the Grand Jury's Report.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Reiskin", is placed below the word "Sincerely,".

Edward R. Reiskin
Director of Transportation

Attachment: *SFMTA's Real Estate and Facilities Vision for the 21st Century Report - Summary*



August 12, 2013

The Honorable Cynthia Ming-mei Lee
Presiding Judge
Superior Court of California, County of San Francisco
400 McAllister Street
San Francisco, CA 94102

Dear Judge Lee:

The following is in response to the 2012-2013 Civil Grand Jury report, "*Optimizing the Use of Publicly-Owned Real Estate: Achieving Transparency, Momentum and Accountability*".

San Francisco's scarce real estate is in high demand. The public has the right to know that all publicly owned real estate is optimally utilized. As mentioned elsewhere in this response, the City is making an effort to increase public transparency. With the integration of the City Property Information Map (PIM) database with the Real Estate Information System (REIS) database, interested citizens will be able to easily know the complete, up to date status of all publicly property.

When a department deems property surplus to its mission, the City should effectively find another use for the property as soon as reasonably possible. Staff continually discusses the best use of City assets on a regular basis and is always looking for development opportunities.

Currently, City code mandates that surplus and underutilized property be developed into affordable housing. If affordable housing cannot be developed on the site, the land should either be transferred to a Department or sold with the proceeds of the sale used to finance affordable housing in the City. While this ordinance was narrowly drawn on purpose, any attempt to broaden the incentives to dispose of property will need to be balanced with the need for affordable housing in San Francisco.

We appreciate the Civil Grand Jury's interest in this topic and thank you for the opportunity to respond.

The Mayor's Office, the Department of Technology, the Planning Department, the Real Estate Department, the Director of Capital Planning, and the City Administrator consolidated response to the Civil Grand Jury's findings is as follows:

Finding 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 Fleishhacker 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 eventually 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.* Disrepair of assets is more a function of the capital needs of the City far outstripping the City's fiscal capacity.

Finding 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: *Disagree.* Expert advice, peer review and multi-departmental discussions regarding best use of City assets is secured on a regular basis by departments, and often a topic of discussion by the Capital Planning Committee.

Finding 3. The purposes for which the Surplus Property Ordinance was adopted are too narrow to effectively motivate City departments to identify surplus and underutilized properties for other uses or disposition. Further, the ordinance does not provide a department with any incentive to dispose of surplus or underutilized property.

Response: *Agree.* However, it should be noted that the Surplus Property Ordinance is purposely narrow and focused solely on affordable housing development.

Finding 5. 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 / under-utilized 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 7th Avenue and Lawton Street, and 1950 Mission Street are a few examples of properties that have been passively managed.

Response: *Agree.*

The Mayor's Office, the Department of Technology, the Planning Department, the Real Estate Department, the Director of Capital Planning, and the City Administrator consolidated response to the Civil Grand Jury's recommendations is as follows:

Recommendation 1.1: The web-based San Francisco Property Information map currently used to display Planning and Building Inspection Department information should be integrated with and further developed by other departments to convey complete information about City properties.

Response: *Recommendation has been implemented.* The integration of the Property Information Map (PIM) database with the Real Estate Information System (REIS) database has already commenced as of

July, 2013. Beta testing is underway, and full integration of data, providing greater transparency to the public, will be complete by first quarter, calendar year 2014. Representatives of all City departments with real estate assets have access to the system and understand the protocols to initiate changes in status of those assets. The database is updated automatically as property status changes.

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 Chapter 23A of the Administrative Code.

Response: *Recommendation will be implemented in the future.* The City Administrator's Office, through the Director of Property, intends to present a legislative clean-up to Chapter 23A of the Administrative Code for Board and Mayor consideration by no later than first quarter, calendar year 2014.

Recommendation 1.3: City departments, commissions and agencies should be directed to maintain and update their departmental real estate database, which appears in the Real Estate Division Map of Real Property and Property Book.

Response: *Recommendation will be implemented in the future.* Pursuant to the requirements of Chapter 23A of the Administrative Code, as amended, this will be accomplished.

Recommendation 1.4: The Director of Real Estate should be required to review the list annually to confirm that all departments have made a complete report on their properties, including surplus and underutilized properties, in accordance with the requirements of Chapter 23A of the Administrative Code; and the City Administrator should be required to report annually to the Board of Supervisors regarding the City's real property assets.

Response: *Recommendation will be implemented in the future.* Pursuant to the requirements of Chapter 23A of the Administrative Code, as amended, this will be accomplished. However, the annual report to the Board of Supervisors relative to the City's real property assets will be contained within the overall Capital Plan documents provided to the Board annually, as recommended by the City's Capital Planning Committee.

Recommendation 2: The City and SFUSD should activate their respective Surplus Property Advisory Committee 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: *Recommendation will not be implemented.* On-going adjustments to the level of information provided in the City's property database, which is available to the public via the City's website, will provide sufficient transparency regarding the status of the City's publicly-owned real estate. This will be coupled with additional more in-depth discussions regarding property status with the Capital Planning Committee, whose meetings are open to the public. With these steps, we do not believe Advisory Committee activation is necessary at this time.

Recommendation 3: The Board of Supervisors should amend Chapter 23A of the Administrative Code to include an incentive for City Departments to identify and dispose of surplus and underutilized properties and to broaden the purposes for which surplus and underutilized properties may be used.

Response: *Recommendation will be implemented and requires further analysis.* The City Administrator's Office, through the Director of Property, intends to present a legislative clean-up to Chapter 23A of the Administrative Code for Board and Mayor consideration by no later than first quarter, calendar year 2014.

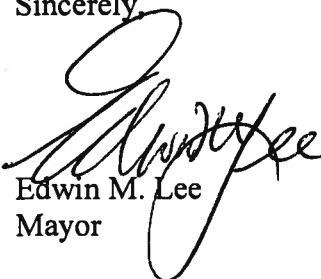
Current City policy directs surplus property to be developed as affordable housing, and a change would require further analysis. Any new policy which would broaden the uses of surplus and underutilized properties must be balanced with the need for affordable housing in San Francisco.

Recommendation 5.2: The Capital Planning Policy Committee of the San Francisco Capital Planning Program should be made responsible for overseeing the publicly-owned surplus and underutilized property list for the City and for assuring that clear plans for the disposition or repurposing of such properties are generated and incorporated into the 10 year rolling capital plan of the Capital Planning Program.

Response: *Recommendation will be partially implemented.* The City Administrator's Office, through the Director of Property, intends to present a legislative clean-up to Chapter 23A of the Administrative Code for Board and Mayor consideration by no later than first quarter, calendar year 2014. This package will include staff's recommendations to provide greater authority for the Director of Property to ensure conformance with the Code by Departments. The Director of Property will collaborate with the Capital Planning Committee, and the Capital Plan will contain a section in the future relative to status of surplus and underutilized City assets.

Thank you again for the opportunity to comment on this Civil Grand Jury report.

Sincerely,



Edwin M. Lee
Mayor



San Francisco Unified School District

OFFICE OF THE GENERAL COUNSEL

555 Franklin Street, 3rd Floor, San Francisco, CA 94102

TELEPHONE (415) 241-6054; FACSIMILE (415) 241-6371

130604

Richard Carranza
Superintendent of Schools

Donald L. Davis
General Counsel
donalddavis@sfusd.edu

Angela Miller
Sr. Deputy General Counsel
millera1@sfusd.edu

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

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 AUG 13 AM 11:49
AK

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 7th 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.