

SCHOOL REFORM COMMISSION

Policy #709: REAL PROPERTY MANAGEMENT POLICY



1. Purpose:

This policy outlines the manner in which the School District of Philadelphia (the “School District”) shall administer all owned or leased real property.

2. Definitions:

- (a) Event: The purchase, sale, or lease of real property.
- (b) Real Estate Committee: An internal management committee comprised of representatives of key School District offices, including, but not limited to, the Office of the Superintendent, the Office of the Chief Business Officer, the Office of the Chief Academic Officer, the Office of the Chief of School Operations, the Office of the Deputy Superintendent for Charter Schools/New Schools, the Office of General Counsel, the Office of Real Property Management, the Office of Facilities Management and Services, the Office of Capital Programs, the Office of Special Finance, the Office of Risk Management, the Office of Early Childhood, and the Offices of the Regional Superintendents.
- (c) Fair Market Value: The purchase or sale price or the rental rate that a piece of real property would bring in a competitive and open market, in an arms-length transaction between a willing seller and willing buyer, each party acting prudently and knowledgeably and assuming the price is not influenced by non-commercial factors.

3. Real Property Management Policy:

The School District requires the ongoing ability to purchase and sell real property in a timely manner to adequately and efficiently support the changing enrollment and space requirements of the District. In addition, the School District requires the ongoing ability to lease property that is needed for School District purposes when the purchase of a property is not required, or is not an available option, or is not economically feasible. In certain limited circumstances, the School District may also wish to lease School District property to one or more third parties for educational-related purposes or other purposes when such property is not immediately needed by the District for its own uses but market

conditions or other factors may make a sale infeasible or undesirable.

The policies and procedures articulated herein are intended to inform all interested parties of the steps that will be taken by the School District in any sale, purchase or lease of property by or from the District.

It is a goal of the District to achieve the maximum market rate value in the sale or lease of any real property the District owns, and to pay no more than market rate for property leased or acquired, while recognizing the need to maintain an appropriate level of community involvement and engagement throughout all disposition, acquisition and leasing processes.

It is understood that the City of Philadelphia, and its various economic and community development agencies, are significant community partners with the School District in its real property disposition, acquisition and leasing activities.

The School Reform Commission, as the School District's governing body, will retain the right to apply the policies and procedures set forth herein in a flexible, prudent, and strategic manner to best meet the needs and interests of the School District and the communities it serves.

All transactions carried out in furtherance of this policy shall be in compliance with the Anti-Discrimination policy of the School District.

4. Roles and Responsibilities of School District Offices in Implementing the Real Property Management Policy:

The Office of Real Property Management ("ORPM"), in consultation with other School District administrative offices and subject to the direction and approval of the Chief Business Officer ("CBO") or his designee, is responsible for the implementation of this policy and the procedures set forth herein, in accordance with applicable law including but not limited to the Pennsylvania Public School Code as amended ("the Public School Code").

A Real Estate Committee shall be formed to consider the purchase, sale or lease of real property. The Committee shall meet at least quarterly, and shall be chaired by the Deputy Chief Business Officer for Operations. The Deputy Chief Business Officer for

Operations and the Director of the ORPM shall be responsible for staffing the Committee.

Committee meetings will establish clear communication and information sharing among District offices regarding the status of Events and the space and property needs of the School District, as well as the appropriate and timely assignment and implementation of responsibilities to effectively implement the District's real property policies and strategies.

The Deputy Chief Business Officer for Operations and the Director of the ORPM and their agents shall be responsible for the coordination of any and all discussions with external parties related to and preceding an Event.

The Office of General Counsel will produce all documents required related to any Event and will provide any necessary legal advice.

The Office of the Chief Business Officer will be responsible for preparing recommendations for the Superintendent related to the desirability of any Event, and also for the subsequent preparation of resolutions for transmission by the Superintendent to the School Reform Commission (the "SRC") to secure the authorization of any Event that requires SRC approval.

The Office of Special Finance and the Office of Management and Budget will work with the Director of ORPM to identify and establish any financial support required for the successful implementation of any authorized Event.

The Office of Risk Management will review any planned Event and will secure any appropriate insurance coverages required whenever the School District purchases, sells or leases a property.

Commencing in 2009, and every two calendar years thereafter, the School District shall conduct a public request for proposal ("RFP") process to select one or more commercial real estate brokers and one or more certified general real estate appraisers to provide services to the School District. The School District will contract with the commercial real estate brokers and appraisers selected in this manner who will work with the School District in providing broker price opinions, property appraisals, comparable sale and market rental values, and assistance in the purchase or sale of property. In addition, licensed brokers may represent the School District, as required, in seeking out real property to purchase or to

lease within the City of Philadelphia should the CBO determine that this is in the best interests of the School District.

5. Real Property Management Procedures:

(a) Sale of Unused and Unnecessary Land and Buildings

- I. Initial recommendations to sell School District land or buildings will be made at Real Estate Committee meetings chaired by the Deputy Chief Business Officer for Operations. The Real Estate Committee will discuss, analyze and make recommendations on whether the land or building in question is unused and/or unnecessary for use by the School District and therefore may be eligible to be sold.
- II. No school building with an operating program may be deemed to be unused and unnecessary unless the school has already been closed by the SRC pursuant to the school closing procedures in the Public School Code.
- III. If a recommendation is proffered by the Real Estate Committee that the land or building in question is unused and/or unnecessary and should be sold, the Director of ORPM will contact at least two state certified general real estate appraisers from the District's contracted list and secure two independent market value appraisal reports of the land or building.
- IV. The Superintendent and the Chief Business Officer or their designees will use their best efforts to contact appropriate elected officials to inform them of the School District's intentions to sell a building or land.
- V. The Director of ORPM will retain a broker to establish a sale price for the land or building based on two appraisals and to identify potential buyers.
- VI. Based on the analysis and proposal of the Committee, the Office of the Chief Business Officer will make a recommendation to the Superintendent for transmission to the SRC that the land or building is unused or unnecessary and should be sold to a certain party for a certain amount and under certain terms and conditions. The Office of the Chief Business Officer will present to the Superintendent

for transmission to the SRC a resolution incorporating the terms of the proposed sale.

- VII. The SRC must approve by resolution the sale of certain land or buildings in accordance with 24 P.S. § 7-707 of the Public School Code. Court approval of the sale shall be obtained if required. The Director of ORPM shall work with the Office of General Counsel on compliance with all applicable sections of the Public School Code, including 24 P.S. § 7-707.
- VIII. The SRC may sell unused and unnecessary lands and buildings in accordance with the provisions of 24 P.S. § 7-707. Such provisions include sale by the following methods:
- 1) By public auction after due notice.
 - 2) Upon sealed bids requested by the SRC after due notice.
 - 3) At private sale, subject to the approval of the Philadelphia County Court of Common Pleas. Approval of the court shall be on petition of the SRC. The School District must obtain two appraisals, and the appraisers must prepare affidavits stating that the price offered for the property is fair and reasonable and in their opinion a better price than could be obtained at public sale.
 - 4) Upon approval of two-thirds (2/3) of the members of the SRC, the School District may sell real estate to a charitable organization qualified as tax-exempt under section 501(c)(3) of the Internal Revenue Code of 1986 as amended, for accepted consideration.
 - 5) To a municipal authority, such as the City of Philadelphia, with or without consideration under certain circumstances, as otherwise provided by law.
- IX. The Director of ORPM will work with the Office of General Counsel and the Office of Special Finance on the negotiation of an agreement of sale and on the preparation of all conveyance documents. The Director of ORPM will

work with the Office of General Counsel and the Office of Special Finance to carry out appropriate due diligence, when and as appropriate, to determine that the prospective purchaser is a reliable business partner capable of successfully implementing all commitments being made to the District.

- X. The Senior Vice President for Facilities Management and Services or an appropriate designee will be responsible for removing all School District usable systems, assets, materials, and equipment from the property prior to final sale. The Director of ORPM will be responsible for providing information to all appropriate School District administrative offices regarding the details of the sale of the property.

(b) Purchase of Land and Buildings

- I. Recommendations to purchase land or buildings for the School District will be made at Real Estate Committee meetings chaired by the Deputy Chief Business Officer for Operations. The Office of Capital Projects will be involved in the acquisition process at the earliest stage of the process to evaluate the opportunity for, and receipt of, any potential state subsidies. The Office of the Chief Business Officer and the Office of Special Finance will identify the source of funds for the purchase.
- II. If a recommendation is made by the Real Estate Committee that certain land or a building is necessary for School District purposes, the Director of ORPM shall contact a contracted broker to identify available land or buildings located in the appropriate area. If there is a property to visit, the Director of ORPM will coordinate the appropriate staff team (e.g., the Office of Capital Programs, the Environmental Management Unit, the Office of the Chief Academic Officer, etc.) to inspect the property and perform due diligence to determine the property's utility, suitability for fit-out or construction, and structural and environmental condition.
- III. In the case of a potential "turnkey" construction arrangement under which a third party will acquire a property and construct a building or make necessary improvements prior to subsequent transfer to the District, the property intended for purchase may be referred to the

developer for final acquisition, and purchase of the property will then become part of the “turnkey” program which will be negotiated by the Director of ORPM, the Office of Special Finance, the Office of Capital Programs and the Office of General Counsel.

- IV. Once the land or building has been located and meets the requirements of the School District, the Director of ORPM shall obtain two independent property appraisals from approved state certified general real estate appraisers chosen from the District’s contracted list of real estate brokers and appraisers.
- V. The Superintendent and the Chief Business Office or their designees will use their best efforts to contact appropriate elected officials to keep them informed of the acquisition. Where and if appropriate, the Director of ORPM may seek the involvement of the Redevelopment Authority of the City of Philadelphia in the acquisition process, especially if it involves the purchase of land or buildings owned by the City of Philadelphia.
- VI. The Director of ORPM will work with the Office of the Superintendent, the Office of the Chief Business Officer, the Office of General Counsel, the Office of Special Finance, and the contracted broker in making a responsible offer for the land or building.
- VII. The Office of the Chief Business Officer will make a recommendation to the Superintendent for transmittal to the SRC that certain land or a certain building should be purchased by the School District and the Office of the Chief Business Officer will create and submit to the Superintendent for transmittal to the SRC a resolution recommending purchase of the property. Any proposed purchase of land or real property shall be done in accordance with the Public School Code. The Office of General Counsel will arrange for the resolution to be considered at a public meeting of the SRC. The Office of General Counsel will arrange for notices to be issued convening the required special public meeting and advertising it to the public. The Office of General Counsel will arrange for a public record to be made of all testimony offered at the special public meeting.

- VIII. The Director of ORPM will work with the Office of General Counsel and the Office of Special Finance in negotiating and preparing an agreement to purchase the property. The Director of ORPM will work with the Office of General Counsel and the Office of Special Finance to carry out appropriate due diligence, when and as appropriate, to determine that the prospective seller is a reliable business partner capable of successfully implementing all commitments being made to the District.
- IX. The property shall not be purchased until the Office of Capital Projects' Subsidies Unit obtains the Pennsylvania Department of Education's approval of the purchase.

(c) Lease of Land and Buildings by the School District

- I. Recommendations to lease land or a building for the School District will be made at Real Estate Committee meetings held by the Deputy Chief Business Officer for Operations. The Real Estate Committee will discuss, analyze and make recommendations that land or a building is necessary for School District programs. The Office of Special Finance will identify the source of the funding for the annual lease payments.
- II. If a recommendation is proffered that land or a building should be leased, the Director of ORPM shall secure the services of a third party to identify options in the appropriate area. The Director of ORPM will coordinate the District staff (the Office of Capital Programs, Environmental Management, the Office of School Operations, the Office of Strategic Planning, educators, etc.) for site visits to inspect the land or building to determine its utility and fit-out or repair costs.
- III. In the case of a potential fit-out by the Landlord, the land or building intended for lease will be submitted to an appraiser and/or broker for cost estimates and comparable rent analyses. Lease of the land or building may become part of the "turnkey" program, which will be negotiated by the Office of Capital Programs and the Office of General Counsel with the assistance of the broker.
- IV. The Superintendent and the Chief Business Officer or their designees will use their best efforts to contact appropriate elected officials to keep them informed of the proposed lease.

- V. The Office of the Chief Business Officer will make a recommendation to the Superintendent for transmittal to the SRC that the land or building is necessary for School District programs and the Office of the Chief Business Officer will create and submit to the Superintendent for transmittal to the SRC a resolution recommending lease of the land or building.
- VI. The Director of ORPM will work with the Office of the Superintendent, the Office of General Counsel, the Office of Special Finance, and the contracted broker in negotiating a lease agreement that is acceptable to the School District.
- VII. The Director of ORPM will work with the Office of General Counsel and the Office of Special Finance in concluding the lease agreement. The Director of ORPM will work with the Office of General Counsel and the Office of Special Finance to carry out appropriate due diligence, when and as appropriate, to determine that the prospective lessor is a reliable business partner capable of successfully implementing all commitments being made to the District.
- VIII. The School District will pay no more than market rental value when leasing land or buildings. If this value cannot be determined, an independent source, such as a real estate appraiser or broker, may need to be engaged to provide information on appropriate market rental values.

(d) Lease of School District Land and Buildings

- I. Recommendations to lease School District land or buildings to third parties will be made at Real Estate Committee meetings held by the Deputy Chief Business Officer for Operations.
- II. If a recommendation is proffered that School District land or a building should be leased to a third party, the Director of ORPM will work with the Deputy Chief Business Officer for Operations and with the Office of General Counsel to set a rental rate under a market-based approach for the land or building to be leased. Factors to be considered in establishing a rental rate shall include, without limitation, (i) the location and condition of the property; (ii) the need for any improvements to the property

for the tenant's use; (iii) the inclusion or exclusion of utilities in the rental rate; (iv) the provision of maintenance, janitorial, snow removal, trash removal, security or other services by the School District during the lease term; (v) the length of the lease and any renewals; (vi) the square footage of the space to be leased; (vii) the market rate for competing properties able to be put to the same use in the same rental market; and (viii) the possibility of a tenant lease/purchase option for the property. An independent source, such as a real estate appraiser or broker, may need to be engaged to provide information in connection with this market-based approach to setting a rental rate for the property to be leased.

- III. The Office of the Superintendent and the Chief Business Office or their designee will use their best efforts to contact appropriate elected officials to keep them informed of the proposed lease.
- IV. The Office of the Chief Business Officer will make a recommendation to the Superintendent for transmittal to the SRC that the land or building should be leased to a certain third party under certain rental terms and conditions and the Office of the Chief Business Officer will create and submit to the Superintendent for transmittal to the SRC a resolution recommending lease of the land or building.
- V. The Director of ORPM will work with the Office of the Superintendent, the Office of General Counsel, and the Office of Special Finance in negotiating a lease agreement that is acceptable to the School District. The Director of ORPM will work with the Office of General Counsel and the Office of Special Finance to carry out appropriate due diligence, when and as appropriate, to determine that the prospective lessee is a reliable business partner capable of successfully implementing all commitments being made to the District.
- VI. The Director of ORPM will work with the Office of General Counsel and the Office of Special Finance in concluding the lease agreement.

6. Implementation of the Policy:

The SRC directs the Superintendent or her designee to adopt any procedures necessary for the full implementation of this policy.

