

Administrative Procedures for Real Property Management
(Attachment for Policy No. 706)

Purpose

The School District of Philadelphia (“District”) is committed to providing the necessary grounds and suitable school buildings to accommodate its students. The purpose of these procedures is to provide guidelines for the manner in which the District shall administer all owned or leased real property.

Definitions

For purposes of these procedures, terms are defined as follows:

Event: The purchase, sale, or lease of real property.

Fair Market Value: The purchase or sale price 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. The District may establish Fair Market Value by obtaining one or more appraisals of the real property at issue.

Procedures

The Chief Operating Officer (“COO”) or designee is responsible for preparing recommendations for the Superintendent related to the desirability of any Event, and also for the subsequent preparation of Action Items for presentation to the Board to secure the authorization of any Event that requires Board approval.

The Office of Finance will work with the Executive Director of Operations 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 District purchases, sells, or leases a property.

The COO and the Executive Director of Operations and their designees shall be responsible for the coordination of any and all discussions with external parties related to and preceding an Event.

As needed, the Executive Director of Operations, through the Office of Procurement Services, shall issue a public Request for Proposal (“RFP”) to select one or more commercial real estate brokers and establish a list of one or more certified general real estate appraisers eligible to provide services to the District. The District may contract with the commercial real estate

brokers and appraisers selected in this manner who will work with the District in providing broker price opinions, property appraisals, comparable sale and market rental values, and assistance in the purchase or sale of real property.

Sale of Unused and Unnecessary Land and Buildings

1. Prior to the Board declaring a school building or land unused and unnecessary to the District, the Board must close the school pursuant to the school closing procedures in the Public School Code.
2. The Superintendent and the COO or designees will use their best efforts to inform appropriate elected officials, community partners, and community members of the District's intentions to sell a building or land.
3. The Executive Director of Operations will retain a broker for all private sales, to establish a sale price for the land or building based on two appraisals, and to identify potential buyers.
4. The COO will present the recommendation of the prospective land or building sale to the Board.
5. Based on the analysis and proposal of the Board, the COO will make a recommendation to the Superintendent for transmission to the Board 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 COO will present to the Superintendent for transmission to the Board an Action Item incorporating the terms of the proposed sale.
6. The COO or designee will work with the Office of General Counsel ("OGC") to negotiate an agreement of sale, conduct appropriate due diligence of the prospective purchaser, and prepare all conveyance documents.
7. The Executive Director of Operations or an appropriate designee will be responsible for removing all District usable systems, assets, materials, and equipment from the property prior to final sale. The designee will be responsible for providing information to all appropriate District administrative offices regarding the details of the sale of the property.

Purchase of Land and Buildings

1. Recommendations to purchase land or buildings for the District will be made at Board Action Meetings. The Office of Capital Programs will be involved at the earliest stages of the acquisition process to evaluate the conditions and potential renovation or improvement costs for the recommended purchase of land or buildings, and the opportunity for, and receipt of, any potential state subsidies. The COO or designee and the Office of Finance will identify the source of funds for the purchase.
2. If a recommendation is made by the Board that certain land or a building is necessary for District purposes, the designee may contact a contracted broker to identify available land or buildings located in the appropriate area. If there is a property to visit, the Executive Director of Operations 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.
3. Once the land or building has been located and meets the requirements of the School District, the Executive Director of Operations shall obtain one or more property appraisals from approved state certified general real estate appraisers chosen from the District's approved list of real estate brokers and appraisers.
 4. If the District is seeking State reimbursement, then the District shall comply with all State Department of Education requirements.
 5. The Superintendent and the COO or designees will use their best efforts to contact appropriate elected officials, community partners, and community members to keep them informed of the acquisition. Where and if appropriate, the Executive Director of Operations 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.
 6. The Executive Director of Operations will work with the Office of the Superintendent, the COO, OGC, the Office of Finance, and the contracted broker, if any, in making a responsible offer for the land or building.
 7. The COO will make a recommendation to the Superintendent for transmittal to the Board that certain land or a certain building should be purchased by the School District and the COO will create and submit to the Superintendent for transmittal to the Board an Action Item recommending purchase of the property. Any proposed purchase of land or real property shall be done in accordance with the Public School Code. OGC will arrange for the Action Item to be considered at a public meeting of the Board. If the District is receiving State reimbursement, then the Board will arrange for notices to be issued convening the special public meeting, if required, and advertising it to the public and OGC will arrange for a public record to be made of all testimony offered at the special public meeting.
 8. The Executive Director of Operations will work with the OGC and the Office of Finance in negotiating and preparing an agreement to purchase the property. The Executive Director of Operations will work with the OGC and the Office of 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.

Lease of Land and Buildings by the District

1. Recommendations to lease land or a building for the District will be made by the COO or designee for Operations at Board Action Meetings. The Board will discuss, analyze, and make recommendations that land or a building is necessary for District programs. The Office of Finance will identify the source of the funding for the annual lease payments.
2. If a recommendation is proffered that land or a building should be leased to a third party, the Executive Director of Operations may secure the services of a contracted broker to identify options in the appropriate area. The Executive Director of Operations will coordinate the District staff (the Office of Capital Programs, Environmental

- Management, the Office of School Operations, educators, etc.) for site visits to inspect the land or building to determine its utility and fit-out or repair costs.
3. In the case of a potential fit-out by the Landlord, the land or building intended for lease may be submitted to an appraiser and/or broker from the District's approved list for cost estimates and comparable rent analysis.
 4. The Superintendent and the COO or their designees will use their best efforts to inform appropriate elected officials, community partners, and community members of a proposed long-term lease.
 5. The COO will make a recommendation to the Superintendent for transmittal to the Board that the land or building is necessary for District programs and the COO will create and submit to the Superintendent for transmittal to the Board an Action Item recommending lease of the land or building.
 6. The Executive Director of Operations will work with the Office of the Superintendent, OGC, and the contracted broker, if any, in negotiating a lease agreement that is acceptable to the District.
 7. The Executive Director of Operations will work with OGC and the Office of Finance to negotiate the lease agreement and 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.
 8. The 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 from the District's approved list, may need to be engaged to provide information on appropriate market rental values.

Lease of District Land and Buildings

1. Recommendations to lease District land or buildings to third parties will be made by the COO or his designee at Board Action Meetings.
2. If a recommendation is proffered that District land or a building should be leased to a third party, the Executive Director of Operations will work with the COO or designee for Operations to set a rental rate for the land or building to be leased. Factors to be considered in establishing a rental rate shall include, without limitation:
 - a. The location and condition of the property;
 - b. The need for any improvements to the property for the tenant's use;
 - c. The inclusion or exclusion of utilities in the rental rate;
 - d. The provision of maintenance, janitorial, snow removal, trash removal, security, or other services by the District during the lease term;
 - e. The length of the lease and any renewals;
 - f. The square footage of the space to be leased;
 - g. Whether the purpose of the lease is educational or serves the community; and
 - h. 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.

3. The Office of the Superintendent and the COO or designees will use their best efforts to inform appropriate elected officials of a proposed long-term lease.
4. The COO will make a recommendation to the Superintendent for transmittal to the Board that the land or building should be leased to a certain third party under certain rental terms and conditions and the COO will create and submit to the Superintendent for transmittal to the Board Action Item recommending lease of the land or building.
5. The Executive Director of Operations will work with OGC in negotiating a lease agreement that is acceptable to the District and 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.
6. The Executive Director of Operations will work with OGC and the Office of Finance to negotiate the lease agreement.

Procedure Review Schedule

These administrative procedures will be reviewed upon policy renewal, or in the case of a triggering event.