LA Unified Real Estate Report

LA Unified Advisory Task Force
March 2018
Los Angeles Unified School District Advisory Task Force

The LA Unified Advisory Task Force was created to help the Superintendent and leadership team implement change. While it is the role of the LA Unified Board to set strategy and establish policy, there is much work to be done at the operating level to accelerate the pace of change.

The Task Force published its first report, student attendance and chronic absenteeism, December 2017. The report is available on lausdtaskforce.com.

This report, the second from the Task Force, focuses on LA Unified’s real estate assets.

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<tr>
<th>Austin Beutner, co-chair</th>
<th>Laphonza Butler, co-chair</th>
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<td>Founder, Vision to Learn</td>
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<td>President &amp; CEO, United Way of Greater Los Angeles</td>
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Summary

LA Unified’s real estate portfolio—schools, administrative buildings, operations facilities, parking lots, and vacant lots—is vast and complex. LA Unified is the second largest school district in the nation covering 31 adjacent municipalities, spanning 710 miles, and owning 1,200 schools and centers, over 6,400 acres and 3,200 parcels of land, and 21,000 buildings. However, the District lacks a comprehensive strategy to manage these properties and utilize each asset at its highest and best use to support the District’s goals.

At a time when LA Unified is facing a structural budget deficit which threatens its long-term financial sustainability and its ability to deliver basic education programs, the District needs to do more to use limited public funding as effectively and efficiently as possible, reduce costs, and develop new sources of revenue.

The District needs a comprehensive and strategic real estate portfolio management plan (“Real Estate Plan”) to more effectively manage its assets and better support the sustainability and success of the District. Any new resources generated by better management of its properties should be used for the primary purpose of supporting the educational needs of students and families.

LA Unified will need to engage the community in this process for their input as they prepare the Real Estate Plan to ensure decisions are being made in the best interest of students, families, and the community.

We recommend the LA Unified obtain a third-party evaluation and analysis of its real estate portfolio and then develop a Real Estate Plan that presents the best ways to utilize its real estate assets for the operation, maintenance, development, and management of the District’s real estate portfolio.

LA Unified should commission the evaluation team no later than April 2018 and require the completion of the analysis and Real Estate Plan by September 2018.
Background

LAUSD Real Estate Assets

LA Unified is the second largest school district in the nation covering 31 adjacent municipalities spanning 710 miles. The District’s real estate portfolio—schools, administrative buildings, operations facilities, parking lots, and vacant lots—is vast and complex.

LA Unified is comprised of 1,200 schools and centers; owns over 6,400 acres and 3,200 parcels of land, the equivalent of 10 square miles; and owns 21,000 buildings totaling more than 75 million square feet. To put these numbers into context, 78 million square feet is similar to the amount of building space found in downtown Los Angeles or downtown San Francisco. Ten square miles of land is larger than the City of Santa Monica.¹

Management

The LA Unified’s real estate assets and properties are currently managed by two departments within the District. The Facilities Services Division develops master plans for future capital projects, manages properties that service K-12 schools, and is responsible for the execution of the school construction bond programs and the maintenance and operations of schools. The School Operations Division manages non-K-12 properties, but can also develop existing K-12 assets.

Comparison

LA Unified

21,000 buildings totaling more than 75 million ft²

Over 6,400 acres or 10 m² of land

Downtown LA office market = 68 million ft²

Downtown SF office market = 76 million ft²

Newhall Ranch
6,000 acres

City of Santa Monica
8.3 m²

Total area of downtown Westlake and Koreatown combined
Opportunities

The District has an opportunity to manage its properties more strategically and effectively to support the sustainability and success of the District. LA Unified needs to evaluate its real estate portfolio to assess whether each property is being used for its highest and best purpose and whether any of these properties can be better used to provide financial resources to the District or potential benefit to the community (parks, affordable housing or other).

Examples of strategic property use by the District and community.

**COLLINS & KATZ FAMILY YMCA**
A successful project is a YMCA located at the intersection of Westgate and Ohio Avenues. Once an empty lot located on University High School’s campus, the YMCA built a 60,000-square-foot building offering athletic facilities and classroom space. It now serves both the community and the students through a joint-use agreement.

**SAGE PARK APARTMENTS**
90 units on 5.7 acres of former agricultural land

92% (83 units) of Sage Park units leased to District employees
However, the lack of a comprehensive and strategic real estate portfolio management plan, starting with a complete and transparent database of its assets, makes it difficult for the District to turn underutilized assets into properties that are supporting District goals.

For example, the District owns three separate properties totaling 16 acres centered near the corner of E 14th and S San Pedro. While a portion of these combined properties is used as a bus yard, warehouses and offices for LA Unified transportation team, the remaining portion consists of underutilized space and buildings that are no longer usable. The sheer size of the property, its inefficient use, and its location to other businesses makes it an example of property that can be put to better use.

Other examples of underutilized properties include 19 acres in Woodland Hills on the site of a former middle school where half the property consists of a gym and sports fields. Just two blocks from this site sits another closed school property of approximately six acres.
Recommendations

Evaluation of Real Estate Portfolio

LA Unified should quickly obtain a third-party evaluation and analysis of its real estate portfolio. The evaluation should contain an inventory, categorization, and valuation analyses of each property, including:

a) Analyze the LA Unified’s current real estate portfolio and develop a complete inventory and categorization of assets, along with an updated fair market valuation of each of the assets;

b) Develop a framework for categorizing District properties based on relevant criteria: property type, present and future use, revenue generating potential, current and potential liabilities, development potential, suitability for affordable housing, etc;

c) Determine highest and best use for all assets;

d) Analyze the current occupancy of core District assets to determine whether consolidation of and/or relocation of certain tenants to more optimal locations could create savings, maximize revenue, and/or reduce functional obsolescence; and,

e) Provide prevailing commercial real estate market information relating to all property types and submarkets within the adjacent municipalities that are relevant to the District’s asset portfolio.

Community Engagement

LA Unified will need to engage the community for their input as they prepare the Real Estate Plan. Community partnership will ensure decisions are being made in the best interest of students and families.

Real Estate Portfolio Asset Management Plan

Based on the inventory and valuation report, the District should retain a third-party to develop a comprehensive portfolio asset management plan (“Real Estate Plan”) that outlines strategic best practices and objectives for the operation, maintenance, development, and management of the District’s real estate portfolio.
Information was provided by LA Unified and we thank them for their cooperation.