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OUSD Special Committee on Property Asset Management

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Surplus Property

Education Code Section 17385-17512 and 17485-17496

- › School district property may be used as an asset to create a one-time or ongoing source of capital funding.
- › The FY 2012-13 Budget included a provision stipulating that districts must first offer surplus property for sale or lease to charter schools. The price of a sale or lease is subject to certain caps and can be significantly below market value. The Governor has proposed extending that provision for another five years as part of the FY 2013-14 Budget.

Surplus Property-Cont.

- › Districts can use sale proceeds for one-time general operating expenses if the district has no major deferred maintenance requirements and agrees to forfeit eligibility for SFP new construction and modernization for at least five years.
- › In 2009, legislation was chaptered to allow districts to use sale proceeds for property purchased entirely with *local funds* for one-time general operating expenses without forfeiting SFP eligibility. This provision expires on January 1, 2014, and as part of the FY 2013-14 Budget the Governor proposed to permanently extend this exception.

Joint Use

Education Code Section 17077.40 – 17077.45

- › Provides a School Facility Program state grant for construction or reconfiguration to provide a multipurpose room, gymnasium, library, child care facility, or teacher education facility.
- › Requires a local match including a contribution from the joint-use partner, who must be a public or non-profit entity.
- › All bond authority for this program is currently exhausted.

Joint Use-Cont.

Education Code Section 17527, et seq.

- › Outside of the SFP, districts may enter into joint-use agreements with public, non-profit, or private entities for the rent or lease of vacant classroom space.
- › Duration of agreements shall not exceed five years, however a new lease may be negotiated between the parties upon termination of the original lease.
- › Unless the partner is a public entity, facilities may not be rented or leased below fair market value.

Joint Occupancy

Education Code Sections 17515-17526

- › School districts may enter into joint occupancy agreements for the use of district property, providing for lease revenue for a maximum duration of 66 years.
- › Private entities and corporations are eligible partners, and building conversion or new construction is permitted under the agreement.
- › Benefits of joint occupancy are lease revenue to the district and/or facilities to be built, modernized, or reconfigured, and a portion of the property is added to the tax rolls.

Legislative Endeavors

AB 1015 (Hagman) – C.A.S.H. is sponsoring legislation to incentivize the use of joint occupancy agreements and the re-investment of proceeds from the lease or sale of surplus property into other capital improvements. This bill would provide a tax credit to private entities in either arrangement, and it would also permit school districts in either arrangement to access High Performance Incentive Grant funds without a qualifying SFP new construction or modernization project.