

Strategic Disposition & Repurposing of Closed Philadelphia Schools

Background

Over the years, both the Philadelphia Public and Parochial Schools systems have closed dozens of schools for a variety of reasons. Unfortunately, some of these schools have sat vacant for years with no effort to sell them. Others were sold to investors who were speculators or were simply unable to develop them. Encouragingly, in the end, most of the schools were repurposed into affordable or market rate housing.

In the past, the rate of closure was small enough that, although problematic in some cases, the schools eventually found a reuse. The scale of this year's School District of Philadelphia (SDP) closures, combined with closures in recent years that remain in the School District's inventory, demands a public response to ensure that these properties are sold and repurposed in an efficient and effective manner. It is essential that these schools do not become a major blighting influence on the communities in which they are located and are instead turned into productive assets for our City.

The following data evidences the scale of the SDP's current inventory of closed schools. They have an Office of Property Assessment-certified assessed value of more than \$216 million representing more than 4.3 million square feet of land (nearly 100 acres) and nearly 2.18 million square feet of buildings.

Strategic Disposition & Repurposing

Given the nature and scope of public school closures, City Council proposes immediate action to quickly develop a strategic disposition and repurposing program for all closed public schools. The program at minimum must achieve these goals:

- Maximize income to the Philadelphia School District
- Minimize the period of time properties remain vacant
- Relieve the School District from the burden of selling the real estate by engaging the Philadelphia Authority for Industrial Development (PAID) or a comparable entity as its agent.

Immediate

City Council is prepared to authorize the transfer of \$50 million in General Fund proceeds and along with a service agreement between the City and with PAID or a comparable entity to acquire title to or authority to sell surplus SDP property. This would provide the School District with the \$50 million it currently seeks to maintain operations, and PAID or a comparable entity would proceed to sell properties under the terms outlined in attachment "A."

City Council is aware of interest to acquire eight closed public schools by bona fide entities. These schools have a combined OPA assessed value of more than \$106 million representing more than 1.3 million square feet of land and more than 700,000 square feet of building space. Upon entering into an agreement with the School District, PAID or a comparable entity should begin negotiating with all parties interested in acquiring surplus SDP property.

Short Term

City Council recognizes that not all surplus SDP property will have immediate offers for purchase. There are several factors that might contribute to a lack of interest, such as location, market conditions, building conditions, and environmental abatement costs. However, the City has resources that it can make available directly, as well as other resources to which it can lend its support in securing, in order to repurpose these properties and secure their redevelopment.

The City can make the following resources available:

- Federal funds such as CDBG and HOME and local funds from the Housing Trust Fund
- Ten-year real estate tax abatement
- Philadelphia Housing Authority Operating Subsidies

The City can support or apply directly for:

- Federal Low Income Housing Tax Credits from the Pennsylvania Housing Finance Agency
- For qualified properties, Federal and State Historic Tax Credits
- While in public ownership, apply for State matching funds to abate any environmental conditions that prevent development of a property

If any property is determined to not be marketable under standard terms and conditions, an appropriate mix of resources could be applied to the property in order to make the property attractive for redevelopment. These properties, with accompanying resources, would be offered to the development community via Requests for Proposals.

City Council has been able to identify 12 former schools (nine public and three parochial) that have been successfully repurposed. Eight of the properties now provide affordable rental opportunities for senior citizens and four have been converted to market-rate housing. All of these properties are well-maintained assets to the communities in which they are located. The affordable senior rental projects used many, if not all, of the incentives identified above. Eleven of these properties are on the tax rolls and one is exempt as it is owned by a charitable organization. The 12 properties have an assessed value of more than \$ 27 million.

Attachment "A" – Deal Structure

Attachment "B" – Schedule of Closed SDP Schools

Attachment "C" – Schedule of Closed SDP Schools with Expressions of Interest

Attachment "D" – Schedule & Photographs of Repurposed Schools

Attachment "E" – Photographs of Closed Schools & Potential Blighting Influence