



## SHUTTERED PUBLIC SCHOOLS: The Struggle to Bring Old Buildings New Life

February 11, 2013



### EXECUTIVE SUMMARY

On December 13, 2012, Superintendent William R. Hite Jr. announced tentative plans to shutter 15 percent of Philadelphia's district-run schools, 37 in all, in what would be one of the nation's largest single-year closings. If those plans are adopted, even in pared-down form, the district will have a lengthy list of empty buildings on its hands, on top of those it already has.

Large-scale public school closures have become a fact of life in many American cities, and that trend is not likely to stop now. In a previous study, The Pew Charitable Trusts looked at a wide range of issues involved in the shuttering of buildings, including the impact on students. For this report, we focused on what happens to the buildings themselves, studying the experiences of Philadelphia and 11 other cities that have decommissioned large numbers of schools in recent years.

The challenge of finding new uses for old buildings is daunting, and the downside of letting them sit idle can be significant. Since 2005, the 12 districts have sold, leased or reused a total of 267 properties and still have 301 unused sites on the market, empty buildings that can cast a pall over their neighborhoods and be costly to seal, maintain and insure. And the act of selling a vacant school building, even at a low price, does not guarantee successful reuse, only a change of ownership.

Some of the districts, including Washington and Cincinnati, have disposed of facilities with relative speed, while others have done less well; and Detroit has had to deal with far more closed schools than any of the others. The differences in performance are due in part to the nature of local real estate markets, the length of time buildings have been empty, and the impact of varying laws and policies that are still evolving.

The research found:

- Sale prices for most shuttered schools have been between \$200,000 and \$1 million, frequently well below initial projections. In Cincinnati, 11 buildings and one vacant parcel were sold at auction for a total of \$3.5 million in 2012, far less than an official valuation. Factors contributing to the relatively low prices include conditions of the buildings, many of which are old, large and decaying; layouts not conducive to new uses; and locations in residential areas suffering from depopulation and decline.

- More than 40 percent of the sold, leased or reused properties have gone to charter schools, and yet there is disagreement over whether this is desirable. Charters are obvious candidates to use the buildings and often have access to the resources needed to acquire them. But the flow of students to charters can further reduce enrollment in district-run schools, exacerbating the situation. Chicago, which once favored charters as occupants, plans to strictly limit the ability of buyers of vacant school properties to use them for charters. Philadelphia's governing School Reform Commission, which has a policy in place offering price discounts for all educational uses, recently gave itself the power to cap charter expansions for five years.
- Housing, both market-rate and subsidized, is also a common reuse. Others include homeless shelters, churches, community centers, and various offices. There are recording studios in Detroit, daycare facilities in St. Louis, and plans for an African American cultural center in Milwaukee and a green technology center in Pittsburgh. Sites where schools once stood will soon become home to a shopping center in Detroit, an apartment building in Cincinnati, and green space in a number of cities.

Officials dealing with surplus buildings say that districts should move aggressively to sell or lease facilities soon after they become empty, make information readily accessible to prospective buyers and the public, take steps to insure that purchasers follow through on announced plans and promises, and, when possible, get outside help in determining appropriate uses of the properties and how they fit with the overall needs of the city.

In addition to Philadelphia, the cities included in this report are Atlanta, Chicago, Cincinnati, Cleveland, Detroit, Kansas City, Mo., Milwaukee, Pittsburgh, St. Louis, Tulsa and Washington.



*The Rudolph Walton School in the Strawberry Mansion section of North Philadelphia has been closed since 2003.*

## INTRODUCTION

Urban school districts across the country have shuttered a significant number of buildings in recent years, and many of the districts are going to have to close more of them. In October 2011, Pew published a study of the school closure process called *Closing Public Schools in Philadelphia: Lessons from Six Urban Districts*.<sup>1</sup> This new report focuses on the final step in that process, one with lasting impact on city neighborhoods: finding new uses for the decommissioned buildings or the property on which they sit.

In Philadelphia, 12 surplus school district buildings were put up for sale in 2012, and the School Reform Commission (SRC), which runs the district, has approved sales of six of them. But the district's sales portfolio is about to get much larger. Six buildings designated for closure in 2012 have yet to be put up for sale, and in March 2013, the SRC is scheduled to vote on closures of up to 37 more.

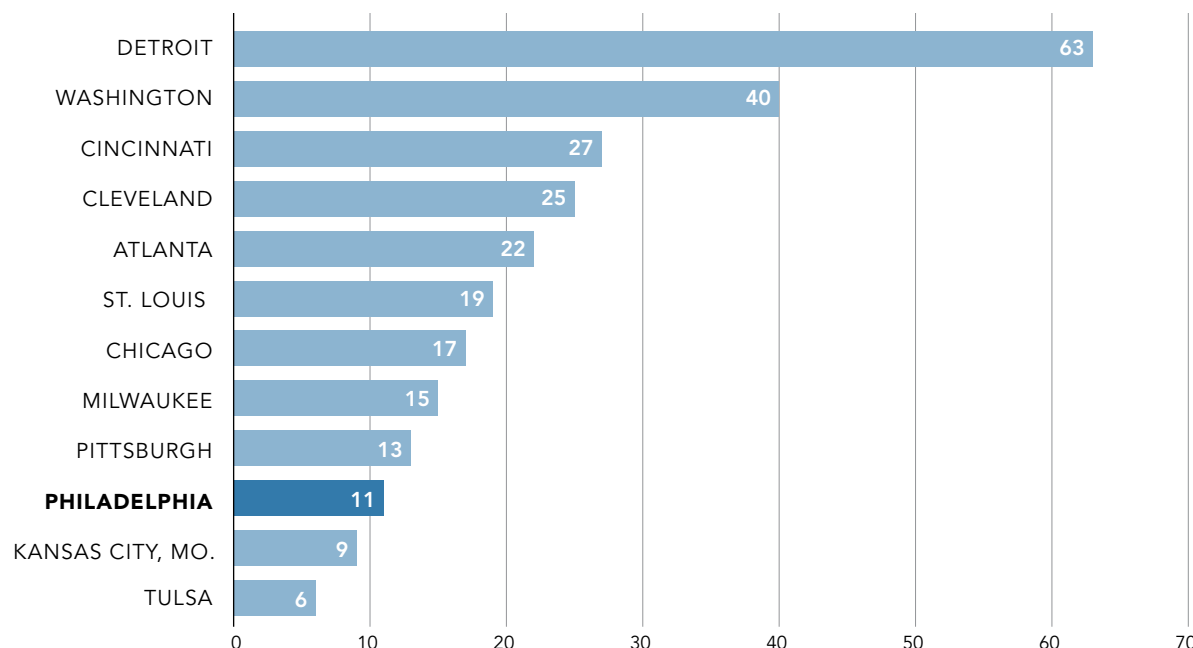
This report examines Philadelphia's current school-disposition process and the experience of 11 other cities that have significant inventories of decommissioned schools. Nearly all of the cities, which are listed in the graphics below, have been experiencing both declining school-age populations and declining enrollments in district-run schools.<sup>2</sup>

In total, these dozen school districts have sold, transferred or reused 267 properties since 2005, the year when many districts' sales records begin. See Figure 1. The bulk of the sale prices have been between \$200,000 and \$1 million, often far below initial estimates. And at last count, 301 sites, some of them vacant for more than a decade, were on the market. See Figure 2.

FIGURE 1

### SCHOOL DISTRICT PROPERTIES SOLD, LEASED OR REPURPOSED: 2005-2012

These numbers include all properties that school districts sold, leased or repurposed between 2005 and 2012, regardless of whether they are actually being used for any purpose today.

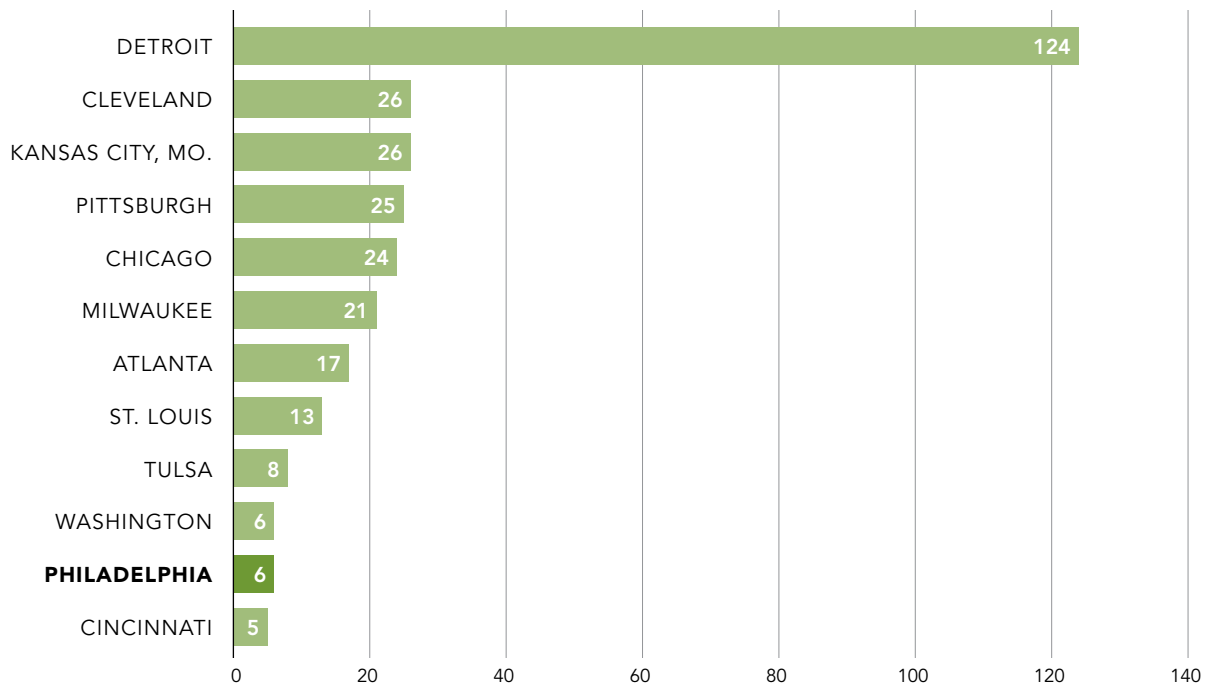


SOURCES: Individual school districts.

FIGURE 2

## SCHOOL DISTRICT PROPERTIES ON THE MARKET: END OF 2012

*In some cases, these properties have stood empty for a decade or more. Others were declared surplus only in the last few years.*



SOURCES: Individual school districts.

These statistics do not include several dozen closed facilities that a number of districts have chosen to hold onto, a practice known as mothballing. This provides the flexibility to deal with future enrollment growth and to meet space needs that may arise, for instance, when an active school is being renovated.

Districts' abilities to find new uses for former school buildings are affected by laws governing property disposition, the length of time that buildings have been closed, and the conditions of local real estate markets. In Washington, for instance, a law that favors leasing to charter schools and the rapid growth of that sector have helped fill many buildings. Cincinnati's auction process has enabled the district to dispose of nearly all its properties. Cleveland's access to state demolition funding has allowed it to pledge to raze seven schools and turn them over to the city for green space. In Atlanta, flexibility on price and openness to charters has helped move schools out of district hands.

In Kansas City, the properties have been on the market for only a short time, and the process there requires a lot of upfront work by the district and developers before a sale is completed. Chicago is shifting from almost total reliance on charters to fill excess space to a policy that prohibits them.

In Detroit, the sheer magnitude of the inventory, resulting from population decline, places the city in a category by itself. The district has disposed of more sites in the last seven years than any of the districts studied, yet the number of properties available there is still far and away the highest.

## DEALING WITH CLOSED BUILDINGS

The attempt to put closed schools to new uses—to repurpose them—tends to attract less attention and less passion than closing down schools in the first place. But the process takes considerable effort on the part of districts, and the outcomes can have broad impacts on urban neighborhoods.

Districts must pay for maintenance, security and insurance while they search for new occupants; this helps explain why the net operating savings achieved by closing a building typically is less than \$1 million. Finding new uses entails dealing with market challenges, working within state and local policy constraints, and balancing sometimes conflicting goals about a property's best use. And school districts are not ideally set up to handle the challenges. As Philadelphia Schools Superintendent William R. Hite Jr. has said, "Our business is education. It is not economic development or moving real estate."<sup>3</sup>

### Size and Location

In general, the easiest buildings to repurpose are those that have not been closed for long, still have their roofs and mechanical systems intact, are located in neighborhoods with healthy real estate markets, and are not too large. But many of the buildings in the cities we surveyed are located in neighborhoods that have experienced depopulation and decline. Although a handful of properties are high in value, most are not; officials in Atlanta said some sites there have essentially no value, given the high costs of renovation and demolition.

The typical school property for sale in the 12 cities is more than 60 years old, larger than 50,000 square feet, and located in a residential area. There is considerable diversity, however. Detroit's sites range from 6,000 to 321,000 square feet. In 2012, Cincinnati auctioned one school that was built in 1900 and another built in 1974.



*The Ada Lewis School sits on a 7.4-acre lot in Philadelphia's East Germantown section. The large building has some of the architectural and locational challenges that can make reuse difficult. A bid for the site, which has been vacant since 2008, was under review by district officials in January 2013.*

In Philadelphia, the median age of the buildings that were up for sale in 2012 was 91 years. See Figure 3. The median size was 65,000 square feet; the Rudolph Walton School in Strawberry Mansion, the one closest to that size, has 33 classrooms, an auditorium, cafeteria, gymnasium, and room for about 800 students. This is not the first repurposing for some of the buildings; they include two former factories, a one-time office building, and a decommissioned synagogue.

Both the size and configurations of the buildings can be problems. St. Louis reported having had the most success selling buildings with about 40,000 square feet, a tougher time with those bigger than 100,000 square feet. Officials in Washington say that some of the older buildings are more conducive to renovation than those from the 1970s, which have open floor plans that do not translate easily to other uses. In Pittsburgh, an outside report noted that “excessive common space” such as wide hallways can be a problem, reducing leasable footage, and that expensive updates might be necessary to bring older buildings into compliance with the Americans with Disabilities Act.<sup>4</sup>

FIGURE 3

## PHILADELPHIA SCHOOL DISTRICT PROPERTIES OFFERED FOR SALE IN 2012

SALE APPROVED BY THE END OF 2012					
School Name	Neighborhood	Square Feet (Building)	Year Built	Year Closed	Proposed Reuse
Education Services Building	Queen Village	16,000	1948	2011	Residential
John Paul Jones Annex	Port Richmond	21,199	1950	2010	Business Incubator
Roberto Clemente (former)	Hunting Park	239,072	1916	1998	Residential
Rudolph Walton	Strawberry Mansion	69,000	1900	2003	Charter School
Simon Muhr	Tioga	36,000	1904	2009	To Be Determined
West Philadelphia High (former)	Walnut Hill	251,095	1912	2011	Residential

NOT SOLD BY THE END OF 2012				
School Name	Neighborhood	Square Feet (Building)	Year Built	Year Closed
Ada Lewis	E. Germantown	187,000	1973	2008
Alcorn Annex	Grays Ferry	41,800	1998	2008
Beeber-Wynnefield Annex	Wynnefield	61,000	1939	2002
Elizabeth Gillespie	Nicetown	137,000	1927	2009
Frances Willard	Kensington	41,000	1907	2010
George Childs	Point Breeze	71,928	1896	2010

SOURCES: School District of Philadelphia.

NOTE: The district acquired Alcorn Annex after the building, a former factory, was fully renovated in 1998. The list does not include six schools closed in 2012 that have not been put up for sale.

In determining a property's marketability, though, location can be the most important factor. Some larger structures tucked into residential neighborhoods would be better candidates for commercial or institutional conversion if they were on busy roads or commercial corridors. "One of our best buildings is off the beaten path, in a neighborhood with no activity; we would have no problem selling it if it were somewhere else," said Shannon Jaax, the director of repurposing in Kansas City.<sup>5</sup> On the other hand, the former West Philadelphia High School building, the largest for sale in Philadelphia in 2012, has been sold for market-rate housing due largely to its location near the University of Pennsylvania.

Given all of these factors, it is no surprise that some buildings sit empty for decades. And the structures, which are costly to maintain, can deteriorate rapidly; the longer they sit vacant, the more expensive they can be to reactivate. A broker in Philadelphia warned that "demolition by neglect can happen quickly if buildings are not properly closed and secured."<sup>6</sup> The buildings can become eyesores, magnets for illicit activities, and symbols of neighborhood decline.

Sometimes districts have demolished buildings that were hard to sell, structurally unsound, attractive to drug use and scavengers, or all of the above. Such cleared sites can be easier to sell or convert into green space. But demolition can be expensive and controversial, especially for historic buildings. St. Louis recently razed one of its bigger vacant schools, an architecturally significant 1884 Classical Revival building. It did so after receiving complaints from neighbors about illegal activity inside the structure, which was next to an active elementary school. The demolition cost roughly \$700,000, more than the \$570,000 median sales price for other closed buildings in the district.

### TO LEASE OR TO SELL

Some districts have favored leasing shuttered school buildings, others have preferred selling them, and still other districts think either option is fine as long as it produces an occupant.

The School District of Philadelphia considers sales to be preferable; it is not set up to be a landlord. Sales produce cash, even if the amount is modest, and a reduction in the liability that comes with owning properties. If the new use is commercial, the school district gets revenue in the form of real estate taxes.

Leases, on the other hand, offer more control over future use, keep buildings in public ownership, and often reduce the turnaround time from school closure to active use. Leasing works best in buildings that are in good shape, because potential lessees may not have the capital or time for major renovations. Chicago had relied almost exclusively on lease agreements in the past but is turning to sales for 24 long-vacant properties in part because they require extensive work.

Since 2005, Detroit has sold 21 properties and leased 42. Among its tenants is the state-run Education Achievement Authority, which took over 15 troubled schools and is paying the district \$9.2 million this year to cover building use, operations and debt.

### State and Local Policies

School repurposing is also shaped by various laws and regulations. These policies often reflect attempts to balance competing priorities, such as generating the best sales price, the highest tax revenue, or the most neighborhood support. These policies can facilitate productive reuse. Or they can get in the way.

On a local level, in the 12 cities examined, only the School District of Philadelphia has a formal, written set of reuse guidelines, adopted in 2011 as part of a facilities master plan. The policy calls for closed buildings to be offered to educational or nonprofit users at discount prices, the aim being to “provide benefit to the community.”<sup>7</sup> Educational uses may include charter schools, adult education, and early childhood programs; nonprofits include religious entities and community development corporations.

Although other cities do not have official policies, some operate according to specific goals. For example, St. Louis aims to generate the biggest long-term financial return for the district. “We’re going to look more favorably on uses with an economic development component,” said Marti Roveda, real estate director at St. Louis Public Schools. “We’d consider lowering the price to make a deal happen if we’ll make it up on the back end in tax revenue.”<sup>8</sup>

Other school districts put a priority on educational uses, including charters. Tulsa sees any type of school as an appropriate use for buildings in residential neighborhoods. Laws in Ohio, Georgia and the District of Columbia require districts to let charter operators bid on a closed school before anyone else.



*The Rudolph Walton School, which is on the National Historic Register, has been approved for sale to KIPP Philadelphia Charter. Charter schools are the most common new use for closed public-school buildings. This site had been troubled by illegal dumping and vandalism.*



Many districts have found the questions of charter use the most difficult to handle. That is because the rise of charters—along with the declining school-age population—has helped create the glut of empty schools.

Sometimes, surplus buildings are bought by existing charters that simply want more suitable and permanent space. But in other cases, charters are relocating to expand. The results of such expansion can be more empty space in district-run schools, especially in districts where the school-age population is static or falling.

For this reason, some districts have taken a second look at their policies on charter reuse. In Philadelphia, for instance, the School Reform Commission, recently gave itself the power to cap charter expansions for five years, even though doing so might reduce the demand for closed school buildings.

The Chicago Public Schools are taking steps to control charter growth more tightly. Liza Balistreri, the district's director of real estate, said that the current inventory of surplus properties will be sold with restrictions banning K-12 use for 40 years, with the school board free to grant exemptions on a case-by-case basis.<sup>9</sup>

In other jurisdictions, though, lawmakers and courts are putting more pressure on districts to follow charter-friendly policies. In 2012, the Ohio Supreme Court ruled against Cincinnati's attempt to use deed restrictions to prevent charter schools from acquiring former district buildings; in a November auction, the district awarded two schools to charter operators. In Cleveland, which had sold only four buildings for charter use, the district announced a new four-year strategy in December calling for more charter partnerships. Washington recently has offered more sites to charters.

For many years, officials at the Milwaukee Public Schools refused to sell or lease buildings to charters run by organizations it had not sponsored. Then, a state law enacted in 2011 gave the City of Milwaukee power to declare school buildings surplus and sell them to charters. In order to maintain some control over the buildings, the school district is now working more aggressively to put them into the hands of preferred charters and other users.

## Marketing

The districts we studied took a variety of approaches to marketing their portfolios of empty buildings. Some handled the task in-house or with straightforward auctions. Most relied on brokers to some degree.

Ohio law encourages its districts, including Cincinnati and Cleveland, to auction unused school buildings to the highest bidders. The auction process can be speedier than a bidding process, but the trade-off can be a loss of control for the district and the community.

In 2006, the Pittsburgh School District was criticized by an advocacy group for selling to the highest bidder without professional real estate guidance.<sup>10</sup> In 2013, as the district tries to repurpose 20 schools, it is relying on a comprehensive "asset maximization plan" formulated by a local real estate company to suggest viable uses and marketing strategies for the closed properties.

### COMPETING WITH PAROCHIAL INVENTORY

In trying to find new uses for old buildings, some school districts are competing with an inventory of closed parochial schools. And the competition can be stiff.

According to Deacon Thomas M. Croke, who runs the Office for Real Estate Services at the Archdiocese of Philadelphia, former Catholic schools can be easier to sell for two reasons. First, some of them are in better condition than their public school counterparts. Second, the archdiocese can make transactions swiftly; its buildings are private property, not subject to state laws or public review.<sup>11</sup>

As of December 2012, six buildings that used to house parochial schools were for sale in Philadelphia and 22 available to be leased. One of the archdiocese's current tenants is the School District of Philadelphia, which has been leasing the former St. Bernard's School in Northeast Philadelphia, initially to house the population of an elementary school that underwent renovation and now for a middle school whose building was deemed unsafe.

Other cities have competing parochial inventories as well, including Detroit with one school for sale and 12 for lease and Chicago with three for sale and 22 for lease.

Philadelphia has been using a two-stage sales process that begins with a Request for Qualifications (RFQ) for potential buyers. It asks for a statement of qualifications, proof of financial capacity, a description of the proposed use for the site, and other information. Only potential buyers who get through the RFQ stage are eligible to participate in the second round, the Request for Proposals (RFP). The idea is to limit bids to serious and capable parties.

The district divided marketing responsibilities for the dozen buildings it was trying to sell in 2012 among four brokers. One of those brokers, Brian Edmonds of Concordis Real Estate Advisors, said that the time associated with the RFQ/RFP process can discourage some buyers. Another broker, Steve Gendler of Grubb Ellis, noted that the RFP process may limit the district's ability to negotiate for a higher price if multiple bids come in for a property. But Edmonds said that "this type of process is common for governmental entities like school districts," where there are many interested stakeholders and there is a need for transparency.<sup>12</sup> The brokers earn a 6 percent commission on sales.

### Public Engagement

Residents and community groups often view local schools as community assets and have a sense of ownership and investment in them, even when closed. Some neighbors want to see the buildings used for public purposes; for that reason, proposed commercial uses can be divisive. For example, in the discussion about the redevelopment of the former West Philadelphia High School, some people thought any new use should serve longtime, lower-income residents, while others thought the district should seek the highest profit, even if that brought in luxury condos. Ultimately, a market-rate apartment project aimed at university students and staff was approved for the site, and initial neighborhood reaction was relatively muted.

The degree to which school districts engage neighbors in determining what to do with the buildings varies from place to place, with most reporting no formal structure or process for collecting input. While public opinion alone can not make a desired project financially viable, strong opposition can stop a development from happening.

In Atlanta, the district recently convened a “repurposing committee” made up of school and city officials and community representatives. It draws on neighborhood-based city planning staff to lead meetings about the future of closed schools with local community organizations. Potential lessees or buyers present plans to the groups, which vote on the option they prefer, although the vote is not binding on the school board.

In Kansas City, the district organizes site tours, public meetings, and other efforts to ensure that prospective developers interact with the public. Officials there said that getting residents to think about, and sometimes propose, future uses for a former school has garnered community support for specific projects. Developers have incorporated public feedback into their projects, in one case adding a health clinic to a planned senior housing facility at the request of neighbors.

Philadelphia’s reuse policy calls for bids to be reviewed by an evaluation team composed of representatives from the school district, the city planning commission, affected civic groups, and the City Council member who represents that part of the city. The School Reform Commission makes final decisions.

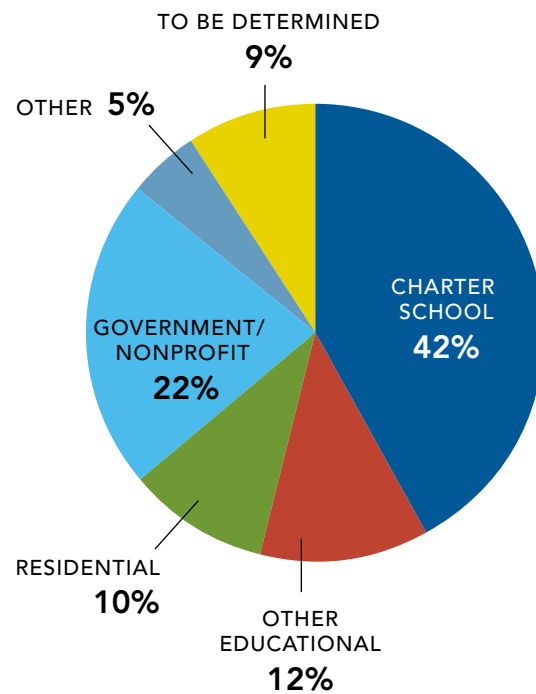
## NEW USES FOR VACANT PUBLIC SCHOOLS

Despite the hurdles, the school districts in the 12 cities studied have sold, leased or reused 267 surplus buildings. The structures are now used as charter schools, market-rate and subsidized housing, a movie theater and medical offices. See Figure 4. The popularity of educational and residential uses stems largely from two factors—the physical structure of the buildings and the availability of financing.

The School District of Philadelphia has sold 10 schools since 2005; three for charter schools, four as housing developments, one combination shopping center and senior housing project, a small business incubator, and one use that is yet to be determined. It also sold a parking garage site, where the Community College of Philadelphia plans a mixed-use development.

FIGURE 4

### NEW USES FOR SCHOOL DISTRICT PROPERTIES IN 12 CITIES: 2005-2012



SOURCE: Individual school districts.

NOTE: “Other educational” includes private schools, universities, tutoring centers, and district uses such as “swing space,” storage, and training facilities. “To be determined” refers to properties with projects still at a very early stage or where initial plans have fallen through.

### Charter Schools

In the cities we examined, the most common new use for a closed public school was as a charter school. Charters have purchased or leased 111 sites since 2005, accounting for more than 40 percent of the repurposing projects. One reason is obvious—the buildings were meant to be schools and have classrooms, gyms, cafeterias and auditoriums. Other important factors are the growth of the charter sector, public policy in some cities that encouraged having charters use the surplus buildings, and the availability of financing to help charters buy or lease the structures.

### A Growing Sector

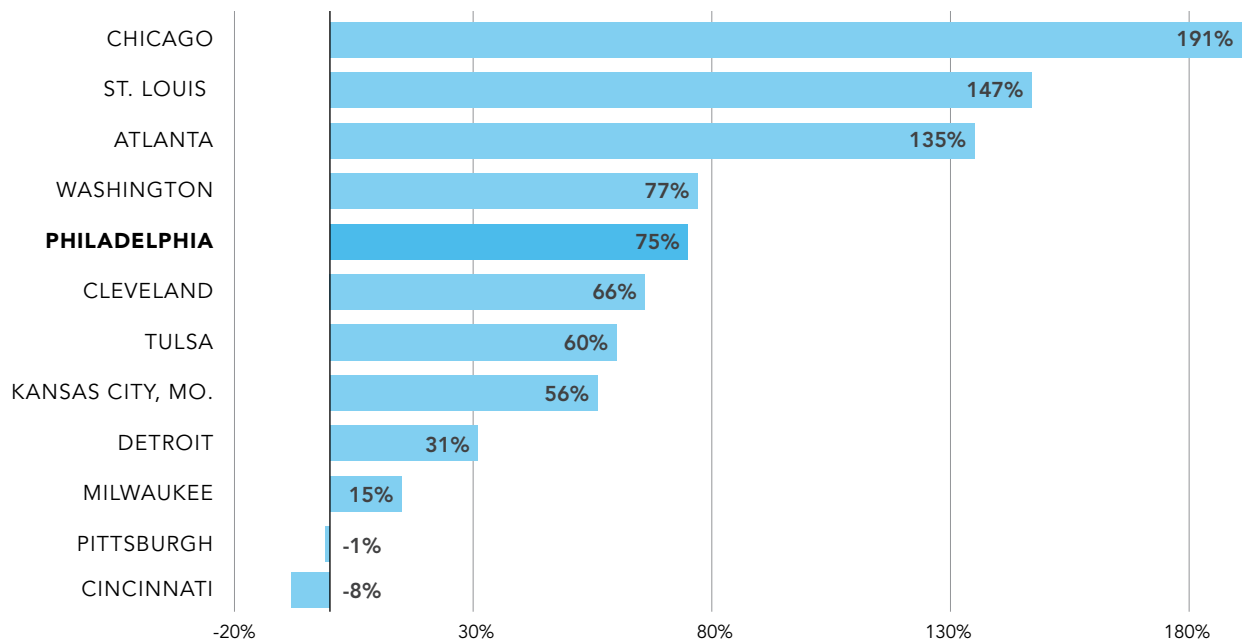
Charter schools tend to start small and grow. Often a new charter opens wherever it can, in a church basement or commercial space, until it establishes itself and seeks bigger, permanent space in a more appropriate facility. The charter student population in the 12 comparison cities rose 69 percent from 2005 through 2011, from 134,543 to 227,093, despite slight enrollment dips in Cincinnati and Pittsburgh. See Figure 5.

Economic pressures felt by various districts have made the transfer of properties to charters increasingly appealing, particularly in situations in which other potential occupants have not emerged.

FIGURE 5

### PERCENT CHANGE IN CHARTER SCHOOL ENROLLMENT: 2005-2011

Growing charter school enrollment has been one cause of school closings in the 12 districts studied and has created demand for the closed buildings.



SOURCES: National Alliance for Public Charter Schools and individual school districts.

### **Financial Advantages**

One reason that charter schools have been able to purchase empty public school buildings is that they have sources of funding that other potential buyers may not, including private foundations. In Detroit, the W.K. Kellogg Foundation, Skillman Foundation, Kresge Foundation and McGregor Fund have contributed an initial \$13.95 million to help fund eight new charter high schools with the intent of raising \$30 million to open 35 schools by 2018.

Various government policies also give charter schools a financial advantage. The District of Columbia provides a set amount of money per student enrolled in a given charter to be used for capital projects. Wisconsin's voucher-based funding formula encourages charters to invest in buildings. Georgia requires districts to offer surplus properties to charter schools for no rental fee. In Philadelphia, the district's policy offers a discount for any educational use.

Charters also are turning to a mechanism that school districts themselves have used to build or refurbish schools: tax-exempt bonds. There is a small but growing market in tax-exempt financing for charter schools; bonds can be used for capital projects such as the purchase or renovation of former school buildings. Charters are authorized to receive proceeds from the sale of tax-exempt capital bonds in the District of Columbia and all of the states included in this report, and in some cases they may receive additional state funds for the cost of facilities or reduced lease or mortgage rates. Unlike tax-exempt bonding for public schools, tax revenue is not used directly to back these bonds. Instead, charters secure their bonds, which are underwritten by banks and other financial institutions, through other revenue streams, primarily private grants and the per-pupil revenue they receive from the taxpayers.

Philadelphia's Authority for Industrial Development has been active in the charter bond market. Since 2001, the authority has issued \$291 million in tax-exempt bonds for 19 charter schools. The largest was \$24.7 million for Mariana Bracetti Academy's acquisition and renovation of Northeast Catholic High School. Other charters that have used tax-exempt financing in Philadelphia include the Green Woods, Independence and MaST charter schools.

### **Other Educational Uses**

Charters are not the only educational buyers of closed school buildings. Tulsa has sold one to a private school for children with developmental disabilities. Two St. Louis buildings went to nonprofit daycare centers and another to a private school. Milwaukee also has sold a building to a private school.

City-based colleges and universities can be buyers. In Washington, two unneeded schools were transferred to the University of the District of Columbia. A former vocational school in Pittsburgh is to become a green technology training center through a partnership with Penn State.

Sometimes buildings do not have to change hands to find a new use. Districts have retained them for administrative offices, teacher training facilities, and storage. Charter supporter complain that districts classify these buildings as being in use to avoid having to offer them to charters.

In Detroit, a developer bought a closed public school, leased it to two different charter schools over the past decade and used the revenue to help redevelop three other closed school buildings into housing, offices, a movie theater, and, most recently, recording studios and practice rooms for local musicians.

## Housing

Housing also is a common reuse, with 26 projects in the 12 cities we studied.

Most of the closed schools are located in residential neighborhoods, and some of the larger buildings lend themselves to multi-family development. Despite their prior use, the buildings are commonly zoned residential and thus do not require zoning adjustments that might slow or limit redevelopment. Also, a lot of residential projects qualify for tax credits, including those for low-income housing and historic preservation. These credits can fill crucial funding gaps.

Of the 26 residential projects, 15 are market rate, and some are high end. In St. Louis, one historic school was turned into rental lofts and another into condos. The Schoolhouse Lofts, a Cincinnati condominium project in a former high school, stalled during the recession but is now sold out after offering new financial incentives.

The nine other projects are subsidized housing. The Jackie Robinson Middle School in Milwaukee was made into 64 senior-housing apartments. In Pittsburgh, the former South Hills High School was vacant for 20 years before reopening in 2010 as a 106-unit housing development for seniors. The project was financed, in part, with low-income housing tax credits. A social service agency converted the former Garfield School in St. Louis into 25 apartments for the chronically homeless using the low-income housing tax credit and state and federal historic credits.

Neighbors usually support residential developments, though not always. Members of one Kansas City community, arguing that they already had enough subsidized housing, persuaded the school district and developer to find a commercial use instead, while some Washingtonians objected to high-end condos they thought might eventually price them out of their neighborhood.



*The John Wanamaker School in North Philadelphia has been demolished to make way for a 14-story, 238-unit apartment tower with ground-floor retail and parking. The project will house Temple University students.*

### Government and Nonprofit Uses

School buildings also have been put to governmental or nonprofit uses, and some sites on which old buildings have been demolished are now green space or parks. Officials and residents sometimes see these outcomes as desirable because the properties remain in public use.

Both Washington and Milwaukee have converted schools into police stations. In Washington, the Franklin School was used as a homeless shelter from 2004 through 2008. There are several multipurpose community centers.

Buildings in Atlanta, Pittsburgh, Detroit, St. Louis and Cincinnati have been acquired by churches. In St. Louis, a school has become a Buddhist community center.

### Other Uses

In Kansas City, a former school building is becoming medical offices. A small annex in St. Louis recently sold to a taxi cab company for use as office space. In Portland, Ore., not one of our comparison cities, one former school had been renovated as a thematic hotel and bar. Each guest room has a chalkboard.

A few large, well-positioned locations where schools were razed are being converted to commercial use. In Detroit, a shopping center is under construction on a tract once occupied by a high school. A 102-unit apartment building with commercial space and parking is nearing completion on land where a Cincinnati school stood for 100 years. In Philadelphia, a mixed-use shopping and senior housing development is in the works on the site of former Edison High School, a building that sustained major damage in a fire shortly before partial demolition and renovation was to begin.

### To Be Determined

Of the 267 properties that districts have transferred or reused, 9 percent are in the very early stages of development or are in limbo because initial plans have fallen through. This includes 12 properties auctioned in Cincinnati in 2012, two stalled Pittsburgh projects, and one proposed senior housing development in St. Louis.

### When Buildings Remain Empty

Nearly all of the districts we studied have received complaints about dangerous and deteriorating property conditions in vacant facilities. In some of these cases, buildings loom over neighborhoods, with windows boarded up or missing altogether, plumbing stripped and playgrounds choked with trash and weeds. In St. Louis, vandals were caught with shopping carts full of copper wire and other materials inside an elementary school that had been closed two years earlier, and the district had to pay \$21,000 to re-seal 533 doors and windows at a high school building that was attracting trespassers. In Philadelphia, the former Roberto Clemente School, vacant for 15 years, has been the subject of numerous reports of drug use and scavenging. Some of the city's more recently closed schools have already experienced illegal dumping and graffiti.

And the sale or lease of a building does not necessarily resolve its future. Properties may remain vacant or derelict if financing falls through, or if the buildings are acquired by speculators who sit on them. In Detroit, a real estate investor bought the school district's former central book depository in

1996, but the building is now abandoned and filled with debris. Two school buildings in Pittsburgh sold to developers remain empty; new owners have been unable to proceed with plans to turn one into a senior housing and health center, the other into a hotel. In St. Louis, a charter operator, Imagine Schools Inc., acquired two buildings, only to have the Missouri Board of Education shut it down for poor performance.

## EVOLVING REUSE STRATEGIES

Each of the 12 school districts in our study has struggled financially in the wake of the recession, and many are now facing additional waves of closings, some of which are larger than previous waves. Washington is contemplating shuttering 15 more schools and Philadelphia 37; in Chicago alone, the number could be even higher.

Shrinking budgets and growing numbers of empty schools are driving districts to refine their repurposing strategies and look to improve their disposition processes. In Philadelphia, said Danielle Floyd, the district's interim senior vice president of capital programs, "the whole process is being reviewed. It was difficult to do just 12, and now there is the possibility of 37 more. We're working to determine the best mechanism to sell these buildings."

### Recognizing That Buildings Do Not Sell Themselves

Many districts recognize the need to take more aggressive approaches to repurposing and have taken a number of steps in that direction.

In the financially beleaguered Chicago Public Schools, the district's goal is to liquidate its surplus real estate holdings by shifting from leasing and mothballing to sales. Most of the 24 sites currently on offer have been vacant at least 10 years. The district has hired brokers and aims to finalize transactions within 12 months. Tulsa also hired a broker recently, after limited success marketing the buildings on its own. Brokers offer marketing services, expertise in the local market, and the ability to connect districts to potential buyers.

Other districts have moved away from brokers, hoping to influence outcomes and reduce costs. Milwaukee moved its efforts in-house in January 2012 after a seven-year contract with a broker produced only a handful of deals. Atlanta plans to hire brokers to handle individual transactions if necessary. In Detroit, a staff of two is attempting to sell 124 buildings and vacant parcels without any outside help.

Districts are also facing up to hard realities on price, moving forward with low-price sales instead of waiting for higher bids. In November, Cincinnati auctioned off eleven buildings and one parcel for a total of \$3.5 million, far below the county auditor's official value of nearly \$31 million. "Given the reality of the current property market, the district never expected to attain sales prices in the range of the auditor's values," said district spokeswoman Janet Walsh.<sup>13</sup> Schools in St. Louis have sold at about 85 percent of what the district was seeking. In Philadelphia, the first six bids approved by the School Reform Commission averaged 63 percent of asking price, and ranging from one dollar for the former Roberto Clemente School to \$6 million for the former West Philadelphia High.





*The former West Philadelphia High has been approved for sale for \$6 million to a developer who plans to convert the buildings into 300 market-rate apartments. The site is located near the University of Pennsylvania.*

### Providing More Public Information

In many cities, it has been hard for the public and for potential buyers to find relevant information about available school properties. Detroit and Kansas City have taken the lead on changing that.

Detroit has an easy-to-find, interactive map of all vacant school sites on its website, featuring key information including square footage, year built and year closed.<sup>14</sup> There is a full explanation of how to purchase or lease a building as well as downloadable versions of all required forms.

The Kansas City district also has a section of its website dedicated to information about repurposing schools.<sup>15</sup> This includes dates for site tours and public meetings, links to development proposals, and updates as deals move forward. Nicole Collier White, the repurposing initiative's coordinator, said that the web-based information, which is updated weekly, has helped build relationships with community members and potential buyers who value the transparency it represents.<sup>16</sup>

Philadelphia does not have such a portal. With its two-part RFQ/RFP process, which goes through the district, and the 12 properties divided among four brokers, there is no one place where a developer interested in adaptive reuse generally or a charter operator looking for new facilities can find information about all available properties.

### Making Sure That Buyers Keep Their Promises

Districts are under pressure to find responsible buyers who will complete projects as planned and with uses that meet the approval of the surrounding community. In many districts, terms of sale prohibit certain uses or trigger penalties if development does not proceed as planned. Such terms, while popular among residents worried about having to live with projects that never get finished or not even started, run the risk of scaring away potential buyers.

Detroit requires purchasers to use a property only for its “intended use,” with the requirement enforced by a deed covenant that lasts 10 years. The agreement of sale also states that the new owner will not “exploit the property for speculation.” If the property is resold within three years for a higher price, the district gets 75 percent of the difference, 50 percent in the fourth or fifth year.

Deeds for all future St. Louis Public Schools sales will require that promised construction start within 12 months and be complete within 30 months. If either milestone is not met, the district can purchase the property back at 70 percent of the sales price. The sites will also have deed restrictions prohibiting such uses as bars, nightclubs, adult book stores, landfills and manufacturing. If the district suspects a buyer might flip the property to a charter school, the district may add a no-school clause.

Kansas City has taken a different approach, out of a concern that threatened penalties may make potential buyers skittish. The district relies instead on “closing contingencies,” which provide for a 180-day period before the sale closes during which the buyer must provide proof of funding for purchase and renovation, get the property rezoned if necessary, and hold public meetings. The district’s Shannon Jaax said this makes for a cleaner transaction and has helped neighbors feel comfortable. It also makes the upfront disposition process more time-consuming and “is part of the reason we’ve only sold a few buildings to date,” Jaax said.<sup>17</sup>

Philadelphia has attached an “anti-speculation” clause to all sales, as well as prompt development language that exacts cash penalties for delays.

### Seeking Outside Expertise

Decisions that school districts make about the future of closed buildings have lasting impact on the future of their cities, as well as the future of their school systems. For that reason, some districts are seeking partners, both governmental and nonprofit, to help them make these decisions.

In Pittsburgh, the district has worked with the local Urban Redevelopment Agency on a number of school-reuse projects that required planning and finance expertise. Milwaukee turned over four schools to the city’s Office of Development in August 2012. The Cincinnati Development Fund, a local certified community financial institution, helped close a financing gap on completion of the Schoolhouse Lofts and is working with one of the winning bidders in the November schools auction. Detroit Works, a consortium of planners and civic organizations charged with helping resolve some of the city’s underlying problems, is examining what to do with the school district’s empty buildings in the broader context of all public land in the city. In St. Louis, school officials hired a real estate director from the city’s economic development agency, and officials in Kansas City brought a repurposing director in from the city planning department.

No matter how well a district goes about it, the process of repurposing surplus property remains inherently difficult—politically, financially, logistically and emotionally. As our research shows, there are plenty of success stories, and lots of buildings and parcels still empty.

With the inventory of surplus properties certain to grow in many cities, the challenge of finding new uses is a daunting one. And for neighbors, officials and taxpayers, the downside of letting buildings sit idle can be significant.

## ENDNOTES

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- <sup>1</sup> The report can be found at [http://www.pewtrusts.org/our\\_work\\_report\\_detail.aspx?id=85899365152](http://www.pewtrusts.org/our_work_report_detail.aspx?id=85899365152).
- <sup>2</sup> For enrollment trends in some of the comparison cities, see Figure 1 in *Closing Public Schools in Philadelphia: Lessons from Six Urban Districts*.
- <sup>3</sup> Remarks made at press conference, Philadelphia, December 13, 2012.
- <sup>4</sup> A+ Schools, *Vacant School Re-Use Project: Final Report*, September 13, 2006, prepared by the Community Design Center of Pittsburgh and Cool Space Locator, found at [http://www.aplussschools.org/pdf/Vacant\\_Schools\\_Final\\_Report.pdf](http://www.aplussschools.org/pdf/Vacant_Schools_Final_Report.pdf).
- <sup>5</sup> Interview with Shannon Jaax, November 20, 2012.
- <sup>6</sup> Interview with Steve Gendler, managing director at Newmark Grubb Knight Frank, October 22, 2012.
- <sup>7</sup> School District of Philadelphia, *Adaptive Sale and Reuse*, adopted June 13, 2011, found at <http://xa.yimg.com/kq/groups/22142877/632766621/name/Proposed+Adaptive+Sale+and+Reuse+Policy+060111.pdf>
- <sup>8</sup> Interview with Marti Roveda, November 30, 2012.
- <sup>9</sup> Interview with Liza Balistreri, October 11, 2012.
- <sup>10</sup> A+ Schools, *Vacant School Re-Use Project Final Report*, September 13, 2006, found at [http://www.aplussschools.org/pdf/Vacant\\_Schools\\_Final\\_Report.pdf](http://www.aplussschools.org/pdf/Vacant_Schools_Final_Report.pdf).
- <sup>11</sup> Interview with Thomas M. Croke, November 19, 2012.
- <sup>12</sup> Interviews with Brian Edmonds, principal, Concordis Real Estate Advisors, October 24, 2012, and Steve Gendler, managing director at Newmark Grubb Knight Frank, October 22, 2012.
- <sup>13</sup> E-mail from Janet Walsh to authors, November 29, 2012
- <sup>14</sup> The site can be found at [http://detroitk12.org/admin/ppo/plant/real\\_estate/](http://detroitk12.org/admin/ppo/plant/real_estate/).
- <sup>15</sup> The site can be found at <http://www.kcpublicschools.org/repurposing>.
- <sup>16</sup> Interview with Nicole Collier White, November 20, 2012.
- <sup>17</sup> Interview with Shannon Jaax, November 20, 2012.

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Emily Dowdall and Susan Warner of The Pew Charitable Trusts' Philadelphia research initiative wrote this report. Peter Tobia took the photographs. It was edited by Larry Eichel, the initiative's project director.

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