

Real Estate Utilization Strategy: Scripps Mesa Joint Occupancy Project

**Board of Education Meeting
January 26, 2016**



Scripps Mesa Joint Occupancy Project

- Real Estate Utilization Strategy Background
- Board Policy and Action
- Process and Implementation
- Project Overview and Benefits

Real Estate Utilization Strategy Guiding Principles adopted unanimously by the Board in February 2014

- ✓ Maintain ownership of district property where appropriate
- ✓ Generate on-going revenue and enhance education for all of our students
- ✓ Develop properties that provide neighborhood benefits
- ✓ Provide for community engagement and input in the development process

Joint Occupancy

- ✓ Creates partnership to develop shared uses on district-owned property
- ✓ Allows district to retain ownership of property instead of selling
- ✓ Meets district goals to generate revenue and maintain property to a high standard

vision 20|20

Implementation Milestones | Board Policy and Action

- ✓ **September 2012:** Board unanimously adopts resolution directing staff to seek opportunities to develop district properties, including Scripps Mesa site
- ✓ **February 2014:** Board unanimously adopts guiding principles for real estate utilization strategy
- ✓ **July 2014:** Board unanimously adopts resolution authorizing RFP for Scripps Mesa and 4 other sites
- ✓ **August 2014:** RFP opens, including public noticing

Implementation Milestones | RFP and Community Process

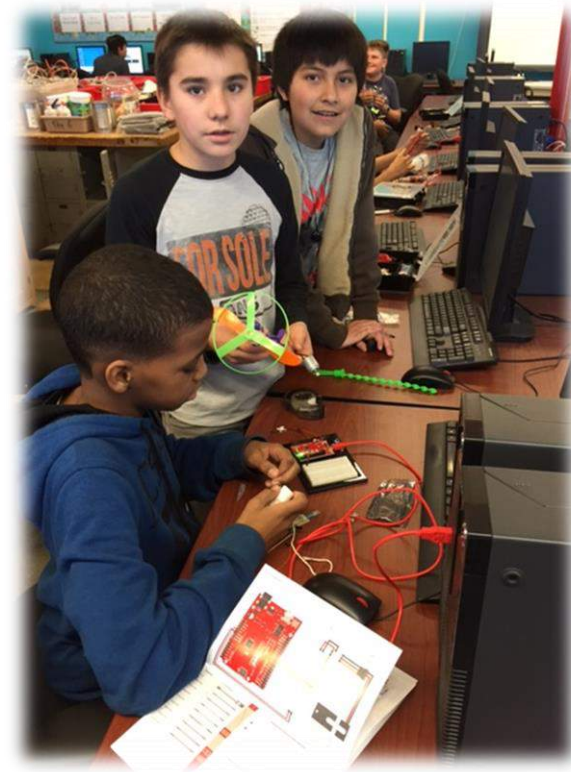
- ✓ **October 2014:** Met with Miramar Ranch North Planning Committee (MRNPC) and Scripps Ranch Civic Association (SRCA) Chairs
- ✓ **November 2014:** Community meeting to share information on RFP, potential to develop Scripps Mesa site, and gather ideas on possible uses
- ✓ **February 2015:** RFP closes (open for six months)
- ✓ **February 2015 – September 2015:** Proposals evaluated for board consideration
- ✓ **September 2015:** Board selects Monarch proposal and extends Innovations Academy facilities use agreement for one additional year

Implementation Milestones | RFP and Community Process

- ✓ **October 2015:** Staff meets with Miramar Ranch North Planning Committee (MRNPC), Scripps Ranch Planning Group (SRPG), and Scripps Ranch Civic Association (SRCA) Chairs to provide overview of project, request to attend group meetings and article be written in SRCA newsletter
- ✓ **November 2015:** Staff attends Scripps Ranch Schools Committee (SRSC) meeting to provide overview of project and request collaboration on development of makerspace lab programming
- ✓ **December 2015 – January 2016:** Follow-up meetings with MRNPC, SRPG, and SRCA Chairs. Staff attends multiple meetings of MRNPC, SRPG, SCRA, and SRSC to provide project updates and answer questions

Project Overview

- Innovative Student Makerspace and Community Center building, featuring:
 - Neighborhood meeting space and garden
- Mixed-use residential and commercial project, featuring:
 - High-quality market-rate and affordable rental apartments
 - Affordable units to be affirmatively marketed to qualifying district employees
 - Complementary retail/commercial space to provide neighborhood services





SCRIPPS MESA SAN DIEGO, CALIFORNIA

MONARCH GROUP

675 PROSPECT STREET, SUITE 222, LA JOLLA, CA 92037 (858) 490-3330

CONCEPTUAL SITE PLAN

ARCHITECTS ORANGE

144 NORTH ORANGE ST., ORANGE, CALIFORNIA 92666 (714) 639-9860



Student Makerspace and Community Center Building

- Science Technology, Engineering, Arts and Mathematics (STEAM) student learning facility modeled after successful partnership with Qualcomm's Thinkabit Lab
- Community garden—amenity requested during outreach with neighborhood in the fall of 2014
- Meeting and conference room space for district and community use through Civic Center Act rentals
- Moving forward, co-design lab focus with community and industry partners

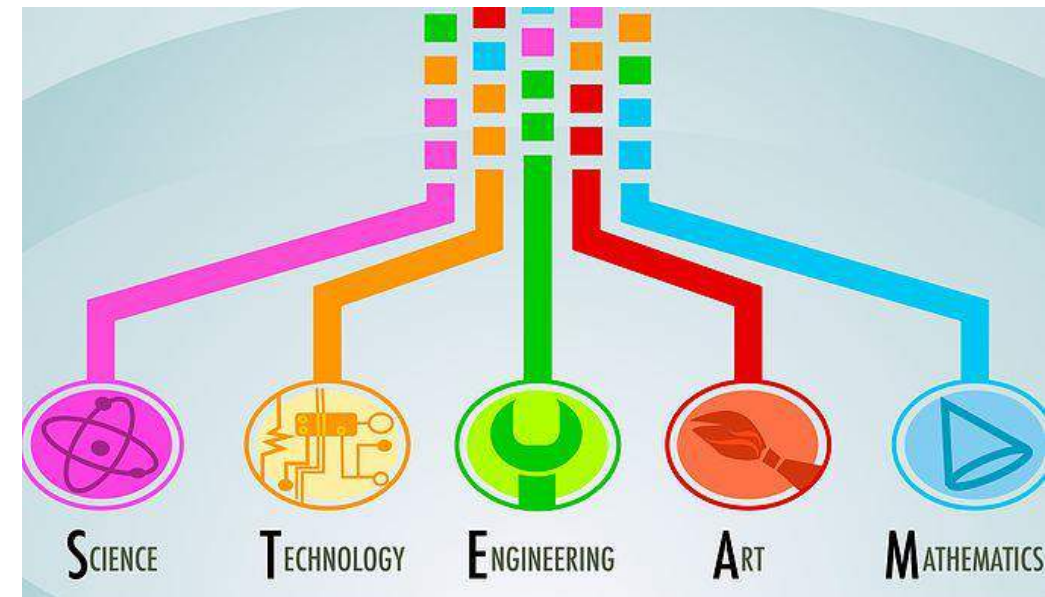


Student Makerspace and Community Center Building | Conceptual Imagery



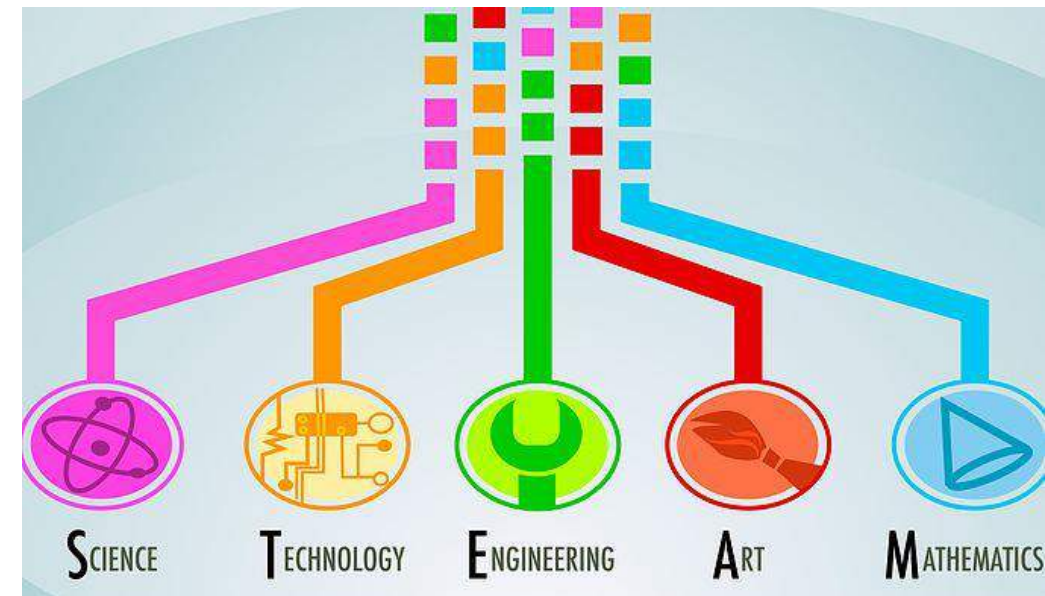
Makerspace and STEAM Education

- Aligns with Common Core and Next Generation Science Standards (NGSS)
- Students activities include:
 - Coding and robotics
 - Introduction to “world of work” learning about education needed to achieve 21st century careers
- Learning objectives:
 - Interdisciplinary and inquiry-based
 - “Problem see and problem solve”
 - Develop learning attitudes and skills, including tenacity, collaboration and communication



Why a Central Makerspace Lab?

- Innovative tools and technology can be tested
- Learning begins in the classroom and expands to a larger lab space, encouraging collaboration across schools and communities
- A makerspace is a space for:
 - Prototyping and iterative creation
 - Community and family fairs
 - Rotating professional/career exhibits
- Make activities accessible to all students throughout the district



A Network of Makerspaces Across the District

Makerspace and Thinkabit Labs create scalable learning across elementary and middle school grades, in alignment with academic pathways...

...The district is actively partnering with the City of San Diego to build new labs in partnership with companies including Northrup Grumman, Hubbs-SeaWorld Research Institute and Raytheon.



Mixed-Use Multifamily Rental Housing and Retail/Commercial Space

- 264 units of Class A multifamily rental housing and resident amenities
- Of those units, 22 units designated affordable at 50% of Area Median Income (AMI)
- Affordable units to be affirmatively marketed to district employees
- Complementary retail/commercial space to provide neighborhood services, including potential afterschool programs and services



Project Key Considerations

- Project zoning, design, and safety
- Site transition planning
- Student generation
- School enrollment and capacity
- Community and affordable housing needs
- District and community benefits



Project Design | Zoning and Feasibility

- Property zoned CV-1-1, which allows a mix of large-scale, visitor-serving uses and residential uses



-VS-



Project Design | Conceptual Imagery



Project Design | Conceptual Imagery



Project Design | Safety and Sustainability

- *Project will comply with state law regulating development as well as City of San Diego zoning and development regulations*
- Project design incorporates 1-, 3-, and 4-story buildings with large setbacks and open green space areas
- Sustainable features to be incorporated throughout project



Project Design | Traffic

- Review of current traffic generation using City of San Diego approved rates indicates the proposed project will generate fewer peak trips than existing use
- Project traffic would be significantly lower than what is allowed for in the Community Plan
- Both Spring Canyon Road and Scripps Poway Parkway are expected to operate within capacity with planned improvements
- Applicable traffic study guidelines (SANTEC/ITE) indicate that this level of review is sufficient for the project



Project Design | Zoning and Feasibility

- City of San Diego Development Services Department (DSD) determined that the proposed project can proceed with a ministerial permit “by right”
- Proposed project is a permitted use under City’s existing zoning and only requires approval of building permits to proceed
- ***Project will be fully reviewed for compliance by DSD in accordance with City regulations***



Site Transition Planning

Innovations Academy

- Facilities use permit agreement approved in 2011
- Since 2014, agreement extended for one-year terms only due to ongoing planning for potential reuse of site
- Board recently approved another one-year extension to June 30, 2017
- District staff has held multiple meetings to facilitate transition planning, including assistance with privately-owned sites and alternative Prop. Z funding options

Farmer's Market

- District staff has contacted operators to discuss possible new locations, both on district-owned property and other sites in the area

Potential Student Generation

New enrollment for neighborhood schools

- K-5: 30 – 50 students
- 6-8: 15 – 25 students
- 9-12: 30 – 50 students

Total: 75 – 125 students

Attendance Boundaries: Dingeman ES,
Marshall MS, and Scripps Ranch HS



School Enrollment and Capacity

- Capacity for all Scripps Ranch neighborhood students in existing schools
- Reducing future nonresident enrollment from outside of Scripps Ranch
- Preliminary analysis indicates new enrollment can be accommodated in existing facilities without impacting currently enrolled students



Community and Affordable Housing Needs

- SANDAG estimates that San Diego will need to produce 161,980 more units of housing through 2020. This includes 67,220 high-income units, 30,610 moderate-income units and 64,150 low-income units
- Multifamily housing fills a critical need in San Diego
- ***Over 70% of San Diegans are priced out of the homeownership market***
- ***Approx. 48% of San Diegans countywide are renters***



Community and Affordable Housing Needs

- Miramar Ranch North and Scripps Ranch communities comprise approximately 32,800 residents
- Approximately 12,000 residential units in both communities
- No affordable rental units in either community
- No apartment projects in Miramar Ranch North
- 4 apartment projects in Scripps Ranch comprising 535 units
- ***Apartment units comprise less than 5% of combined communities' housing stock***



Community and Affordable Housing Needs

- Affordable units to be affirmatively marketed to qualifying district employees
- First affordable rental housing in the neighborhood
- Model for potential future projects to build teacher housing



Affordable Monthly Rent Payments

Affordable Housing Occupancy, Rent and Incomes	50% AMI Rent Levels	50% AMI Income Levels	School District Employee Classifications That Could Qualify (Partial List)
1BD (2 Persons)	\$810	\$32,400	<ul style="list-style-type: none"> Office-Technical and Business Services: Step 03 – Salary Grade 010-023 Operations-Support Services: Step 03 – Salary Grade 010-023
2BD (3 Persons)	\$911	\$36,450	<ul style="list-style-type: none"> Office-Technical and Business Services: Step 03 – Salary Grade 010-028 Operations-Support Services: Step 03 – Salary Grade 010-028
3BD (4 Persons)	\$1,013	\$40,500	<ul style="list-style-type: none"> Office-Technical and Business Services: Step 03 – Salary Grade 010-032 Operations-Support Services: Step 03 – Salary Grade 010-032

Note: 2015 San Diego Median Income is \$73,000. The listed affordable monthly rent levels are before utility allowances (*i.e.* gross rents, not net of utilities). Source: HUD, 2015.

Financial Benefits | Ground Lease Terms

- Transforms a property operating at net loss in excess of \$107,000 annually into a revenue-producing asset
- Creates new long-term, guaranteed rental revenue
- Near-term cash payments totaling approximately \$3.0 million
- Annual lease payments starting at \$425,000 with escalations over the lease term
- Additional district cash flow participation over the lease term
- Construction of student makerspace and community center building at no cost to the district
- Retain ownership of improvements at end of 66-year term

Financial Benefits | Guaranteed Ongoing Payments

TYPE OF BENEFIT	EST. VALUE OF BENEFIT	
Ground Lease Guaranteed Upfront Payments	\$3.0 million	--
Ground Lease Guaranteed Annual Rent Payments	\$34.3 million	--
Developer Fees	\$1.0 million	--
Student Makerspace and Community Center Building	\$2.5 million	+/-4,000 SF
Affordable Housing	--	22 Units
TOTAL EST. GUARANTEED DISTRICT BENEFITS	\$40.8 million	--

Note: The district will also have participation in ground lease cash flow, which is estimated to generate an additional \$10.1 million over the Ground Lease Term. The District retains significant value of land / improvements at end of Ground Lease Term, which is not included here.

Community and District Benefits

- New student educational space accessible to students throughout the district
- High-quality rental apartments, meeting community and regional need for more balanced housing
- Affordable housing units to be affirmatively marketed to qualifying district employees
- Long-term, guaranteed ongoing revenue in support of district's core mission



Real Estate Utilization Strategy: Moving Forward

- Long-term stewardship and maintaining ownership of district property
- Smart fiscal decisions create ongoing revenue in support of our core mission
- A new precedent and high benchmark for future district projects

Action

- Authorize staff to continue negotiations with Monarch Scripps Mesa, LLC., consistent with the Term Sheet, begin the environmental review process, and develop agreements necessary to implement the proposed project at the Scripps Mesa Conference Center (Scripps Mesa) site.