

**DOWNEY UNIFIED SCHOOL DISTRICT**

**Asset Management Advisory Committee  
Report on Findings and Recommendations for  
11525 Brookshire Avenue & 11500 Dolan Street  
Downey, California 90241 APNs: 6255-010-902, -903, -904, -905**

**Presented to the Board of Education on  
April 18, 2023**

**Submitted by:  
Asset Management Advisory Committee**

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## **I. EXECUTIVE SUMMARY**

This Asset Management Advisory Committee Report on Findings and Recommendations (“Report”) is intended to assist the Downey Unified School District Board of Education (“Board”) in evaluating the use of Downey Unified School District (“District”) owned real property.

The Report contains recommendations to the Board from the District appointed Asset Management Advisory Committee (“Advisory Committee”) on utilization and disposition of the District property located at 11525 Brookshire Avenue and 11500 Dolan Street Downey, California 90241 (APNs: 6255-010-902, -903, -904, -905) (“Property”), as discussed herein.

With the presentation of this Report to the Board, the Advisory Committee’s duty to provide the District with recommendations regarding the Property is fulfilled, subject to further Board inquiries and requests for information.

## **II. ASSET MANAGEMENT ADVISORY COMMITTEE**

### **A. Asset Management Advisory Committee: Statutory Mandate**

California Education Code section 17388 states “[t]he governing board of any school district may, and the governing board of each school district, prior to the sale, lease, or rental of any excess real property, except rentals not exceeding 30 days, shall, appoint a district advisory committee to advise the governing board in the development of districtwide policies and procedures governing the use or disposition of school buildings or space in school buildings which is not needed for school purposes.”

Further, Education Code section 17389 requires the advisory committee be composed of not less than seven (7) or more than eleven (11) members, representative of the following: “(a) The ethnic, age group, and socioeconomic composition of the district; (b) The business community, such as store owners, managers, or supervisors; (c) Landowners or renters, with preference to be given to representatives of neighborhood associations; (d) Teachers; (e) Administrators; (f) Parents of students; and (g) Persons with expertise in environmental impact, legal contracts, building codes, and land use planning, including, but not limited to, knowledge of the zoning and other land use restrictions of the cities or cities and counties in which surplus space and real property is located.”

Pursuant to Education Code section 17390 the Advisory Committee must do all the following:

- “(a) Review the projected school enrollment and other data as provided by the district to determine the amount of surplus space and real property.
- (b) Establish a priority list of use of surplus space and real property that will be acceptable to the community.
- (c) Cause to have circulated throughout the attendance area a priority list of surplus space and real property and provide for hearings of community input to the committee on acceptable uses of space and real property, including the sale or lease of surplus real property for childcare development purposes pursuant to Section 17458.
- (d) Make a final determination of limits of tolerance of use of space and real property.

(e) Forward to the district governing board a report recommending uses of surplus space and real property.”

**B. Asset Management Advisory Committee: Formation and Membership**

On March 8, 2022, the Board approved Resolution No. 202122-10 “Establishing the Downey Unified School District Asset Management Advisory Committee and Approving the Committee Bylaws” (“Resolution”). On September 6, 2022, the members of the Advisory Committee were appointed. The Advisory Committee is comprised of the following seven (7) members, meeting the required categories of representation in Education Code section 17389:

- |    |                |                                   |
|----|----------------|-----------------------------------|
| 1. | Dean Michael   | District Composite Representative |
| 2. | Jeffrey Worthy | Business Community Representative |
| 3. | James Walton   | Landowner/Renter Representative   |
| 4. | Rola Saikali   | Teacher Representative            |
| 5. | Kathy Estevez  | Administrative Representative     |
| 6. | Jeff Townsend  | Parent/Guardian of a Student      |
| 7. | Brian Heyman   | Person of Expertise               |

Officers of the Advisory Committee are Jeffrey Worthy, Chairperson; Kathy Estevez, Vice Chairperson; the Secretary position was delegated to District staff, Angel Kellogg, Administrative Secretary, Business Services.

The following individuals served as staff and provided resources and assistance to the Advisory Committee on the District’s behalf:

1. Christina Aragon, Associate Superintendent, Business Services
2. Angel Kellogg, Administrative Secretary
3. Sarine A. Abrahamian, Esq., Orbach Huff & Henderson LLP, Legal Counsel

Between October 18, 2022, and March 21, 2023, the Advisory Committee met five (5) times:

- |               |   |                            |
|---------------|---|----------------------------|
| Meeting One   | – | Tuesday, October 18, 2022  |
| Meeting Two   | – | Tuesday, November 29, 2022 |
| Meeting Three | – | Tuesday, January 24, 2023  |
| Meeting Four  | – | Wednesday, March 2, 2023   |
| Meeting Five  | – | Tuesday, March 21, 2023    |

All Advisory Committee meetings were open to the public and conducted pursuant to the Ralph M. Brown Public Meeting Act. (Government Code § 54950, et seq.) On March 21, 2023, at 4:00 p.m., the Advisory Committee held a public hearing to receive community input concerning its findings and recommendations. The District notified the public in advance of the hearing by posting the hearing Notice:

1. outside District Administrative Offices;
2. inside the Downey City Library’s public posting wall;
3. in the weekly newspaper The Patriot; and
4. on the District website.

One member of the public attended the meeting and provided a comment.

### **C. Asset Management Advisory Committee: Property and Process**

The Board's March 8, 2022, Resolution authorized the Advisory Committee to examine use and/or disposition options for District owned real property. On October 18, 2022, the Advisory Committee met for the first time and was introduced to the District Property shown in **Exhibit "A"**.

This Advisory Committee was tasked with assessing possible disposition or use options for the Property and providing recommendations to generate upfront cash flow revenue for the District.

The Advisory Committee received and reviewed relevant background information about the Advisory Committee process and about the Property, heard from multiple expert resources, and analyzed substantial District data including, without limitation:

- the step-by-step process for disposition of District property after the Board has deemed property surplus;
- District enrollment data;
- condition and maintenance reports on the Property; and
- the Property's valuation data.

All information the Advisory Committee was presented with, as well as meeting agendas, minutes, and presentations may be found here: [Downey Unified School District Asset Management Advisory Committee \(https://web.dusd.net/7-11-committee/\)](https://web.dusd.net/7-11-committee/).

### **III. FISCAL CONSIDERATIONS.**

The Property is currently under lease until 2060. According to the most recent Property appraisal, rent payments the District receives from the lease have not kept pace with the Property's fair market rental value. The Advisory Committee considered disposition and use options for the Property that can generate upfront cash flow and ensure the District receives fair market value of the Property subject to the lease.

### **IV. DEMOGRAPHIC AND ENROLLMENT DATA**

#### **A. Demographics**

The District primarily serves youth in the City of Downey providing public education to students from transitional-kindergarten through twelfth (12th) grade, as well as adult education. The District operates 13 elementary schools, 4 middle schools, 3 high schools, 1 virtual academy, and 1 adult school.

#### **B. Enrollment Data, Trends, and Capacity Analysis**

On October 18, 2022, Associate Superintendent of Business Services Christina Aragon presented the Advisory Committee with the District's Moderate Enrollment Projection data showing trends at the elementary, middle, and high school levels. This presentation included historic and projected District enrollment data from 2019-2020 through the 2028-2029 academic year, as well as current enrollment numbers.

Current District enrollment data indicates surplus capacity in District schools to meet future enrollment projections. Empirical data demonstrates that the District does not need additional school sites, educational facilities, administrative facilities, or other non-educational facilities at this time.

In the event trends shift and student enrollment begins to grow in the future, the District has available capacity within its current schools.

## **V. PROPERTY OVERVIEW**

### **A. Property Background**

The District purchased the Property in 1957 and began leasing it for commercial use in 1969. The Property has never been used as a school site, District administrative facility, or for educational purposes.

### **B. Property Ground Lease Agreement**

On April 7, 1969, the District executed an agreement to lease the Property until 2024 “Brookshire Lease”. The Brookshire Lease was later restated between the District Brookshire Partners and amended to extend the lease term until April 30, 2060. The Second Amendment to the Restated Ground Lease Agreement (“Second Amendment”) includes an annual rent increase of 3 percent. As of October 2021, the Brookshire Lease was generating \$18,737 per month and \$224,844 annually for the District.

### **C. Property Characteristics**

The Property consists of approximately 3.09 acres located in the center of the District boundaries, within the City of Downey. It is situated within a commercial industrial area and neighboring properties predominately share the same zoning as the Property. Specifically, the Property is bounded as follows:

To the north:	Manufacturing (M-2)
To the east:	Commercial (H-M)
To the west:	Open-Space (O-S (PM) – Obsolete)
To the south:	Commercial (H-M)

The Property itself has an “H-M (Hospital and Medical)” zoning designation. City of Downey H-M zoned land may be used for: professional offices, personal and professional services, retirement homes, and retail uses. The Brookshire Lease lessee improved the Property with an office building, convalescent hospital, and parking lot.

The Property does not include recreational facilities open to the public.

### **D. Property Valuation**

The Property appraisal considered current market conditions, and the Property’s current lease between the District and Brookshire Partners.

#### **1. Land Valuation**

As of October 1, 2021, the estimated land value for this Property was \$9 million.

#### **2. Ground Lease Valuations**

As of October 1, 2021, the Property’s annual fair market rental value was \$540,000 per year.

## **VI. SUMMARY OF ADVISORY COMMITTEE FINDINGS**

Based upon information reviewed and considered by the Advisory Committee, the following conclusions and findings are presented to the County Administrator:

1. The Advisory Committee reviewed the Property in accordance with the requirements set forth under Education Code sections 17388, et seq.
2. The Property is subject to a ground lease agreement that does not expire until 2060. The rental income the District receives from the Brookshire Lease has not kept up with the

Property's fair market rental value. The District is not receiving the full benefit of the Property's current fair market value due to the Brookshire Lease which will remain in effect until 2060.

3. Overall District enrollment has declined over the last ten years by 2.67% and is projected to continue to decline over the next ten years. State-wide enrollment over the same period shows an overall decline in public school enrollment with a similar rate of decline forecasted the next ten years.
4. Based on the foregoing, the Advisory Committee finds the Property is not needed for future use as an educational or non-educational facility and recommends it be deemed surplus, as outlined below.

## **VII. ADVISORY COMMITTEE RECOMMENDATIONS TO THE BOARD**

The Advisory Committee considered and held a hearing to receive input on the following options for the Property at the public hearing held on March 21, 2023:

- Declaration of the Property as Surplus;
- Sale of the Property subject to the Brookshire Lease;
- Exchange of the Property;
- Sale of the cash flow received from the Brookshire Lease;
- Solicitation of additional Property disposition and use options from a real estate brokerage firm;
- Board review and assessment of further potential Property disposition options using additional data.

Pursuant to the Advisory Committee's review of District goals, Property information, and financial considerations, pursuant to Education Code sections 17388 and 17390 the Advisory Committee makes the following recommendations to the Board, which can be undertaken simultaneously to ensure the best value for the Property is achieved.

1. The Advisory Committee recommends that the Property be deemed surplus property by the Board.
2. The Advisory Committee further recommends that the Board authorize staff to provide a further analysis, in a report or presentation, to assess options for the Property, including instructions for the execution of a lawful disposition process and alternate options that are fiscally sensible and are in the best interests of the District and community.
3. The Advisory Committee recommends that the Board take steps to dispose of the Property through sale or exchange at the highest and best use value, subject to the Brookshire Lease, if the Board determines that sale or exchange of the Property is fiscally sensible.
4. As an alternative, if feasible and legally allowable, the Advisory Committee recommends the Board consider selling the rental income/cashflow the Brookshire Lease generates, which would give the purchaser the right to collect rental income under the Lease until the present

term expires and would provide the District the benefit of the Brookshire Lease's present cash value.

5. If sale of the Property or Brookshire Lease rental income/cashflow is not feasible, the Advisory Committee recommends the Board authorize that a real estate broker provide additional disposition and use options for District to consider.

## **EXHIBITS AND ATTACHMENTS**

**EXHIBIT A:** Aerial Property Map

**EXHIBIT B:** Photographs of Property



## EXHIBIT A

### AERIAL PROPERTY MAP



**EXHIBIT B**

**PHOTOGRAPHS OF PROPERTY**



**Photographs of the Subject Property**



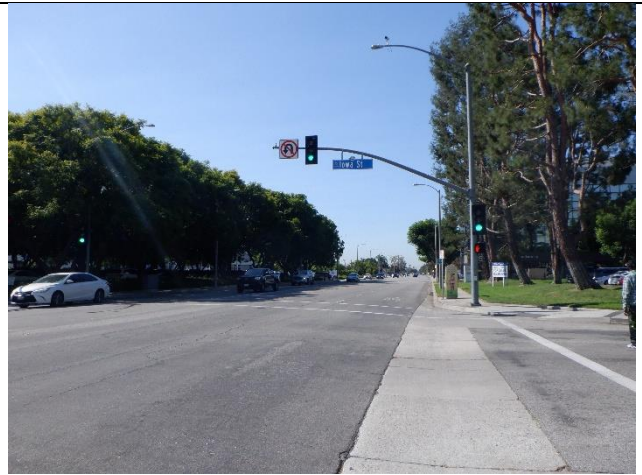
**Looking@ subject in northwesterly direction**



**Signalized southwest corner of Iowa St. & Brookshire Ave.**



**North view of Iowa St. & Brookshire Ave.**



**South view of Iowa St. & Brookshire Ave.**



**West view of Iowa Street.**



**South view of driveway entry from Iowa Street.**



**Photographs of the Subject**



**Easterly view of Iowa Street.**



**Southeasterly view of Subject Medical Building**



**Easterly view of Davis Street.**



**Westerly view of Davis Street.**



**Rear northwesterly view of Downey Retirement Center**



**Front entry into Downey Retirement Center, Dolan St.**

**Photographs of the Subject**



**North view of Dolan Street.**



**South view of Dolan Street**