

## Profiles on Possible School Reuse Options

Reuse options for school properties are wide ranging. New uses vary from common uses such as multifamily apartments or city agency offices to less common uses such as police stations or business incubator space. Some new uses take advantage of existing structures through adaptive reuse while others rely on new construction. To highlight the various possible redevelopment options for school sites, this report includes profiles on possible school reuse options. The profiles incorporate information on typical building characteristics, required market conditions, and financing tools available to make development more financially feasible. Additionally, profiles include “proof of concept” examples of successful school redevelopments in other cities.

## Reuse Option: Market Rate Housing

**Building Characteristics:** School buildings, especially historic school buildings, are often well-suited for adaptation to residential use with minimal structural changes by nature of their design. In particular, school buildings with the following properties lend themselves to residential conversion:

- Open classroom spaces that are comparable in size to standard apartment units
- Large windows that provide access to natural light in all classrooms
- Double-loaded hallways that create design efficiencies for multifamily buildings

In addition to building characteristics, the location of many schools in primarily residential areas also contributes to reuse as residential space, as zoning or other land use regulations may prohibit other uses.

**Typical Size:** Multifamily building can range widely in size, from just a few units to hundreds of units. On average, investment-grade properties tend to have a minimum of 120-150 units. However, boutique or more niche projects can have far fewer units.

**Market Conditions:** As with most private redevelopment options, the ability to redevelop a closed school as market-rate residential space depends heavily on market conditions in the area surrounding the site. Development conditions will vary from site to site and costs will be heavily dependent on conditions of the school building and necessary changes for conversion. However, in the Baltimore market, new apartments will generally need to support rents of at least \$1.75-\$2.00/SF to be economically viable without some type of specialized financing.

**Funding sources:** In some markets, rents are likely to be insufficient to support new construction, resulting in financing gaps. However, there are several funding sources that can help close these gaps and make redevelopment projects financially feasible. For historic buildings, Federal, state, and local historic tax credits are a key financing tool for the adaptive reuse of historic school buildings. Other funding sources include tax increment financing, granted by the city through the Board of Finance, and Baltimore's High Performance Market Rate Rental Housing Tax credit.

### Proof of Concept: West Philadelphia High School



**Location:** Philadelphia

**Size:** 442,200 Square Feet

**Cost:** \$24,000,000

**Summary:** Built in 1912, West Philadelphia High School is part of a portfolio of closed schools sold off by the School District of Philadelphia after the school closed in 2011. In February 2016, a Brooklyn-based developer secured \$24 million in financing for the acquisition and redevelopment of the four-story structure. The building will be converted into market rate residential housing with nearly 300 units. Construction is set to begin in 2017.

## Reuse Option: Affordable Housing

**Building Characteristics:** When considering building design, school buildings can be a good fit for affordable multifamily conversions. Classrooms are often sized to convert well into one or two bedroom apartments, which reduces the amount of structural work that must be done during conversion. However, the unique requirements and financial restrictions that characterize affordable housing can often make renovation more expensive than new construction. The customization requirements and greater administrative demands of rehabilitation projects can widen the gap that exists between cost of renovation and financial resources available to property owners and/or tenants of the building. This is particularly true for buildings with the following characteristics:

- Excessive common spaces that do not allow for maximization of leasable square footage
- Buildings that require updates to bring them into compliance with the American Disabilities Act.
- Older buildings that require lead paint abatement or asbestos abatement

**Typical Size:** Affordable housing projects vary widely in size. However, fixed costs such as land, legal expenses, and funding application fees can make smaller projects less economical on a per-unit basis. In addition, governments or funders often impose requirements on density, size, number of units, amenities and/or design features.

**Market Conditions:** For vacant schools located in low-income neighborhoods, conversion to affordable housing offers an opportunity to increase the stock of residential space and revitalize the surrounding community. Affordable rent restrictions and tenant income thresholds determine the size of the rental market.

**Funding sources:** For a project to offer below-market rent, government subsidies are necessary to cover the financing gap between the development costs and project value. The Low Income Housing Tax Credit (LIHTC) program is the primary tool for financing affordable housing. Tax credit equity typically covers 30-80% of development costs (both for new construction and rehab projects). State housing finance agencies allocate tax credits on a competitive basis based on a range of eligibility requirements. Projects located in high cost or difficult to develop areas may qualify for additional government subsidy. In addition to LIHTC financing, affordable housing projects usually layer federal, state, and local subsidies and grants, including the historic rehab tax credits, community development block grants (CDBG), and HOME funds.

### Proof of Concept: Faxon School Apartments



**Location:** Kansas City

**Size:** 65,000 square feet

**Cost:** \$9,400,000

**Summary:** In 2016, the former Kansas City Public School was renovated into Faxon School Apartments, a 46-unit building of affordable housing for residents age 55+. The building includes studios, one-bedroom, and two-bedroom apartments and the units rent for between \$530 and \$630 a month. The renovation includes an auditorium available for neighborhood meetings, common areas, and a fitness center. In addition to LIHTC credits, the project drew financing from several additional sources.

## Reuse Option: Charter School

**Building Characteristics:** Charter Schools are natural candidates for vacant school buildings. Converting an existing school building into use as another school presents relatively few obstacles and can often be the most cost-effective way for charter operators to acquire a facility. However, older buildings may require considerable (and sometimes prohibitive) upgrades, like plumbing and HVAC upgrades, to be conducive for reuse.

**Typical Size:** While charter schools vary in size, most have a total enrollment size of less than 300 students, thereby requiring smaller facilities than typical public schools. However, the percentage of charter schools with 300+ students has steadily increased over the past decade, a trend that could signal a demand for more space.

**Market Conditions and Regulatory Challenges:** The feasibility of a charter school conversion is determined by market factors such as location, nearby household demographics, and the quality and proximity of other public and charter schools.

Regulation can also pose an additional barrier or opportunity for charter school operators looking to acquire a public school facility. Given the direct competition that charters pose to the public school system, city administrations across the country are at odds over whether or not charter school conversions are favorable. Chicago strictly limits charter school conversions in an effort to bolster public school enrollment and funding. On the other hand, some cities, like Washington, DC, encourage charter school conversions through financial incentives and first preference over vacant school buildings.

**Funding sources:** To finance the purchase of buildings or renovations, charters rely on outside sources, like donors or bond market financings. Federal New Market Tax Credits, as well as state and federal Historic Tax Credits (20 percent if a certified historic structure or 10 percent if built prior to 1936 and structure is non-historic) may also be applicable.

### Proof of Concept: Maureen Joy Charter School



**Location:** Durham, NC

**Size:** 48,000 square feet

**Cost:** N/A

**Summary:** In 2012 the historic Y.E Smith school in East Durham was renovated and reopened as the Maureen Joy Charter School. The Y.E. Smith school had been vacant until Self Help Ventures Fund, a nonprofit loan fund, acquired the property in 2011. By utilizing New Markets Tax Credits as well as state and federal historic tax credits, Self-Help was able to renovate the property with a focus on green design.

## Reuse Option: Community Center

**Building Characteristics:** From design standpoint, school buildings are generally conducive for conversion to community centers. Typical occupants in community centers such as nonprofits, recreation/youth enrichment providers, educational and arts centers, or job training organizations are similar to school operators in that they require facilities with the following characteristics:

- Auditoriums, gymnasiums, and cafeterias for community activities
- Multi-purpose rooms and flexible spaces
- Informal gathering spaces and common areas (lobbies, hallways, storage, etc.)

From a public relations standpoint, it is often easier for developers to pursue a community-focused use. Residents who live around a closed school are often invested in the future use of the building, even after it has closed, and will lend their support to a community-focused project.

**Typical Size:** Community centers can range in size from less than 15,000 square feet to over 40,000 square feet. Larger buildings will have to attract larger or more tenants, often challenging from an operational and financial standpoint.

**Operations:** Community center ownership structure generally falls into one of two categories: sponsor-occupied and multi-tenant centers. Sponsor occupied centers are developed by a sponsoring organization that will also be the primary or sole occupant and direct service provider in the center. Financing depends on the resources and credit of sponsoring organization. Multi-Tenant Centers are usually developed by a nonprofit organization and occupied by multiple third party nonprofit service providers. Development and operating costs are usually covered by rent paid by each user.

**Funding sources:** The financing structure for every community center is unique, due to many variations in project sponsorship and tenant mix. Key factors affecting the project's feasibility include the sponsoring organization and tenants' credit worthiness, track record and ability to raise funds. Nonprofit users typically have limited ability to support debt, therefore these projects look to the following sources: philanthropy, government capital grants, tax exempt 501(c)(3) bond financing, New Market Tax Credits, tax increment financing, and historic tax credits.

### Proof of Concept: Mary Kelly Community Center



**Location:** Kansas City

**Size:** 44,000 square feet

**Cost:** Varies

**Summary:** In 2012, Kansas City sold Graceland Middle School to be redeveloped into the Mary Kelly Community Center. The center received a private donation of \$1.5 million, a key financing source for acquisition and renovation of the Graceland school site. The facility includes a computer lab, café, conference room, gym, fitness room, dance studio and the nonprofit Charlie Parker Foundation.

## Reuse Option: Office Space

**Building Characteristics:** Although not as common as other uses, office space conversion is a viable option for school reuse. Current trends in office space design, characterized by demand for greater flexibility and variety, makes office conversion more attractive, particularly for schools with the following characteristics:

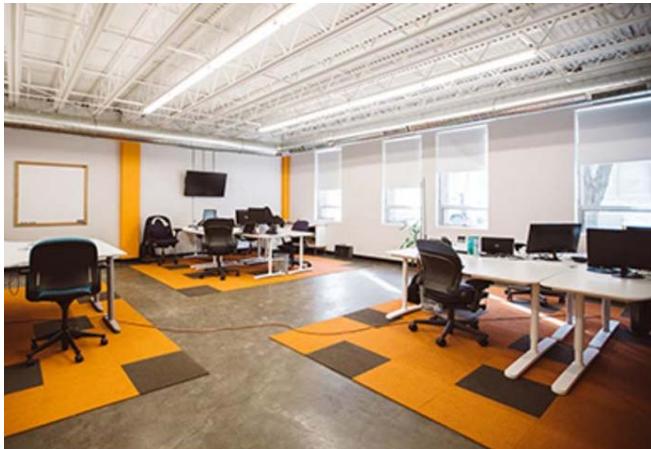
- Open floor plans that are conducive to shared workspaces
- Large windows that provide direct natural light and high ceilings
- High-quality construction materials
- Parking spaces

**Typical Size:** Office space varies widely depending on the space requirements of end users.

**Market Conditions:** The ability to redevelop a school as private office space depends heavily on market conditions in the area surrounding the site. Development conditions will vary from site to site and costs will be heavily dependent on school building conditions and necessary changes for conversion. The ability to attract higher paying tenants depends on the building's proximity to Baltimore's central business district and transportation network. As a point of reference, the average asking rent for office space in Baltimore is \$21 per square foot, full service.

**Funding sources:** In some markets, rents are likely to be insufficient to support the development of office space, resulting in financing gaps. If converting a historic school building, developers may be able to take advantage of historic rehabilitation grants or tax credits. Historic tax credits can also be combined with New Market Tax Credits if the project qualifies as a Qualified Active Low Income Community Business. These projects must be located in certain qualifying tracts and generate certain benefits to the community that include job creation or wealth creation.

### Proof of Concept: Saint Vincent Corktown



**Location:** Detroit

**Size:** 30,000 square feet

**Cost:** Varies

**Summary:** Built in the 1960s and vacated in 2000, the former St. Vincent Catholic School has been redeveloped into a three-story office building for small business and start-ups. Offices range from 800 square feet to 13,000 square feet in the 30,000 square foot building. In addition to conventional financing, the developer received a \$50,000 neighborhood grant from the Old Tiger Stadium Conservancy.

## Reuse Option: Public Agency

**Building Characteristics:** In comparison to a private office tenant, public agencies are more flexible when it comes to architectural details and space demands, making a school facility readily adaptable for public use. In addition to housing administrative offices, school facilities, with their range of room sizes and uses, may be a good match for atypical government uses, such as police stations, homeless shelters, fire station, public libraries and post offices.

**Typical Size:** The typical size of public agency space varies depending on the need of the particular agency. Before committing to occupy a closed school, an agency should confirm that space needs match the total amount of available space.

**Funding sources:** Public agencies generally fund the conversion of space for themselves through their own budget or a special allocation of funding from a jurisdiction.

### Proof of Concept: Metropolitan Police Headquarters



**Location:** Washington, DC

**Size:** 80,000 square feet

**Cost:** \$25 million

**Summary:** Built in 1976, the 80,000 SF Merritt Middle School building was converted into a police headquarters for the MPD's 6<sup>th</sup> District and Youth Investigation Division. The City selected architectural/engineering services through an RFP issued in 2013. The completed headquarters includes a gymnasium, community room, and on-site parking, in addition to office space.

## **New Construction on School Properties**

### **Reuse Option: Retail Space – New Construction**

Given particular needs for site visibility, accessibility, size, location, parking requirements, and other factors demanded by retail tenants, school facilities are not readily adaptable to retail use. Nevertheless, a new retail construction project can be easily developed on a cleared site or on a portion of the former school site if there is sufficient vacant land and the location is appropriate.

**Typical Size:** Retail center sizes can vary widely depending on type. Unanchored strip centers, made up of several small stores, range from 10,000-100,000 square feet. Anchored strip centers tend to be larger and usually range from 125,000-200,000 sq. feet. Community retail centers, which usually have several anchors such as a supermarket or drugstore, are generally 150,000 – 350,000 square feet.

**Market Conditions:** There are several factors that retailers consider when making location decisions. First and foremost, retailers look at incomes for the population in the trade area of the potential location. For example, Whole Foods seeks a majority of households with incomes over \$50,000. Some retailers also look for educational levels or other social factors when making an investment in an area. Trader Joe's seeks locations where at least 36,000 residents in a location's trade area have a college degree. Lastly, pedestrian counts and vehicular traffic counts are also taken into account in locational decisions. In vehicle-centric locations, Starbucks seeks a minimum 40,000 vehicles per day passing the store.

**Funding sources:** Tenant preleasing is often a prerequisite for many lenders involved in retail projects. Projects with a creditworthy anchor tenant, such as a grocery store or pharmacy willing to pay sufficient rent, often have an easier time attracting financing than those without. Conventional equity and debt financing may be insufficient in low-end markets. In those cases, tax increment financing (TIF), New Markets Tax Credits, or another incentive may be used to cover the financing gap for eligible projects.

### **Reuse Option: Residential – New Construction**

Depending on a school's condition, layout, and characteristics, demolishing the building to make way for new residential construction, either market rate or affordable, can sometimes be more financially attractive.

#### **Proof of Concept: John Wanamaker Middle School**



**Location:** Philadelphia

**Size:** 4.6 acres

**Cost:** \$100 million

**Summary:** The John Wanamaker School was closed and demolished in 2007. In 2008, a partnership between developer the Goldenberg Group and local church Bright Hope Baptist Church purchased the site for \$10.75 million. Completed in 2014, the new 14-story building, now known as The View at Montgomery, offers 238 rental units marketed to Temple University students.

## Reuse Option: Green Space

Building conditions, layout, and location can restrict a vacant school's marketability. There may be little commercial, office, or residential demand in the area. In such cases, demolishing a vacant building to create a park can be a solution, particularly for neighborhoods that lack existing green space. Success often depends on the involvement of a public spokesperson or active community association dedicated to advocating and fundraising for the cause.

**Typical Size:** Green space can range in size and function, from large open fields, to dog runs, to highly programmed parks.

**Funding:** Park funding sources include city grants, individual contributions, and community capital funds.

### Proof of Concept: McCoy School Site Park



**Location:** Kansas City

**Size:** 2.8 acres

**School Demolition Cost:** over \$550,000

**Total Park Cost:** N/A

**Summary:** Kansas City Public Schools (KCPS), with support from the Blue Valley Neighborhood Association (BVNA), demolished McCoy School in 2013 to make way for a public park. BVNA worked with 360 Architecture to develop a conceptual site plan for the park through a series of public meetings with local stakeholders. They were awarded a Community Capital Fund grant to help finance the park development. In March 2016, KCPS entered into an agreement to transfer the McCoy property to the City government.

## Additional Uses for Consideration

There are several additional uses for vacant school buildings outside of traditional real estate sectors, many of which can meet community needs and address issues such as health, economic development, and neighborhood vitality. Some of these uses may not take up an entire school facility but can be incorporated as part of a multi-use redevelopment plan. These include the following:

### Health Clinic

There are some examples of closed schools that have been successfully repurposed as health clinics. Community health care facilities offer a range of primary health care services that can be administered in a non-hospital facility, including health assessment, diagnosis and treatment services, counselling and therapy services, education and support, and services to link to other on-site and outreach programs.

With their mix of administrative offices, classrooms, and auditoriums, schools can lend themselves well to health clinics. Different sized spaces can be repurposed as examination rooms, administrative offices, utility and multipurpose spaces, as well building support rooms. It is important that the building's layout ensures easy circulation and access throughout the building.

### Business Incubator/Entrepreneurial Space

Business incubators, which are facilities that foster entrepreneurs, startups and small businesses, are a growing trend in urban centers across the country. Incubator operators provide startups with office space, guidance in attracting funding, and operational support services. The facilities often viewed as a way to foster homegrown talent while also attracting business talent from other regions. Vacant school buildings could be a solution for incubators looking for facilities with interesting spaces and flexible design attributes. Startups will have unique space and infrastructure needs depending on their industry.

### Makerspace

Former shop classrooms in vacant school buildings have potential to be adapted into makerspaces. Also referred to as hackerspaces and fabrication laboratories (or “fablabs”), a makerspace is a community-oriented workspace where people gather to share resources and knowledge and produce goods. Makerspaces often provide members with hand tools, power tools, and 3D printers and scanners. Like incubators, maker spaces are another growing trend in tech-focused, urban centers.

### Adult Education/Vocational Training Facility

The presence of a nearby community college or local educational nonprofit presents an opportunity to develop space in a closed school into an adult education or vocational training facility. Classrooms can easily be repurposed into GED and other adult classes. Additionally, cafeterias and other large multipurpose spaces lend themselves to spaces for vocational training and uses such as kitchen training facilities.