

DEPARTMENT OF CITY DEVELOPMENT POLICY
DISPOSITION OF MILWAUKEE PUBLIC SCHOOLS PROPERTY

Background

2011 Wisconsin Act 17 gave the City of Milwaukee new authority to sell property owned by the Milwaukee Public Schools. This policy describes how the Department of City Development's real estate section will administer this authority.

All property inquiries should be directed to Elaine Miller, City Real Estate Manager at (414) 286-5732.

Properties to be sold

The City will sell properties that have been declared surplus by the Milwaukee Board of School Directors as well as any other properties MPS indicates it wishes to sell. If a party expresses interest in a property that is not currently available for sale, the City will facilitate a discussion with MPS regarding whether that property can be sold. The City will not use its authority under Act 17 to declare property underutilized at this time.

Sale prices

Sale prices will be set on a case by case basis subject to evaluation of the property and determination of its highest and best use. Prices will be adjusted upward or downward for specific properties, based on factors such as renovation costs, the availability of air conditioning or an elevator in the school, the age of the property, the amount of open space adjacent to the building, length of time on the market and the location of the property.

Leases

The City will not enter into lease agreements for MPS buildings. If a customer seeks a long-term lease or lease-option arrangement, the interested party should work directly with MPS on property disposition.

Sale through requests for proposal

Consistent with general City procedures for the sale of commercial property, all MPS property will be offered for sale initially through a competitive request for proposal process. The use of the RFP allows all eligible parties to be considered for the property.

Consistent with general City procedures for the sale of commercial property, offers to purchase will be evaluated with respect to the quality of the real estate project. Evaluation factors include the amount of proposed investment, exterior design quality, use of emerging businesses and workers qualifying for the resident preference program, and the financial capability of the prospective buyer. Properties proposed for educational use must provide evidence of viability including approval of its operation by the relevant chartering authority. If an RFP attracts multiple responses, these types of factors will be scored by a selection committee to determine the "winning" proposal.

If an RFP does not attract responses by the deadline, or if none of the proposals is judged to be feasible, the property will be moved to "extended listing" status, and offers will be entertained on a first-come, first-served basis.

If staff receives an inquiry about a property before that property is offered for sale by the City, and if MPS no longer chooses to operate the property, the property would be put at the "top of the list" for the next round of RFPs.

Consistent with general City practice for the sale of commercial property, the City may provide an option to purchase for a prospective buyer that takes the property off the market during the option period.

Eligible buyers (educational users)

Because of the continuing negative impact of the State funding formula for voucher schools, sales to educational institutions will be limited to non-profit charter schools, and to private schools not enrolled in the voucher program. The following table provides more detail:

Type of educational user	Can this school type buy MPS property?	Is the buyer permitted to apply for tax-exempt status?
Private voucher school	NO	n/a
Private non-voucher school	YES	NO
For-profit charter (EMO) school	NO	n/a
Non-profit charter (CMO) school	YES	YES

This policy addresses the continuing inequity caused by the school choice “funding flaw” which penalizes Milwaukee taxpayers for the growth of voucher schools. Even though Milwaukee taxpayers pay for 38.4% of voucher costs, these pupils are not counted toward MPS funding in the state’s equalization aid formula. This results in Milwaukee’s property value per pupil being artificially inflated, causing a large, extra reduction in aid. This funding problem was made worse in the 2011-13 State Budget when the High Poverty Aid program intended to partially offset the “funding flaw” was underfunded and school choice enrollment was expanded. The policy may be adjusted if the school funding formula is repaired.

Properties sold to non-profit charter schools for school use will be non-taxable, and no PILOT payment will be required. Properties sold to private non-voucher schools for school use will be fully taxable.

Offers will not be accepted from third-party representatives of charter schools who hope to make a match between a building and a charter school operator.

Showings and property information

Department of City Development real estate staff will provide property information and arrange scheduled showings of MPS property that is offered for sale.

Reversionary clauses and deed restrictions

Consistent with general City procedures for the sale of commercial property, the City will include a reversionary clause that allows the City to recapture the building if it is not occupied within a reasonable amount of time by the buyer. Sales of buildings to educational users will be subject to a deed restriction that requires perpetual educational use of the building by a non-profit, non-voucher school operator. Should a future buyer wish to use the property for some purpose other than a school, the buyer would need to seek Common Council approval to release the deed restriction. Sales of buildings to educational users will require that, in the event the property is no longer used as a non-profit, non-voucher school, the property will become fully taxable.

Financial capability of buyers

Consistent with general City procedures for the sale of commercial property, prior to closing the sale, the buyer will be required to submit evidence that all required financing has been secured for acquisition and renovation of the building.

Sale Authority and Proceeds

Pursuant to 2011 Wisconsin Act 17, the Milwaukee Common Council has the sole authority to approve the sale of MPS real estate that the Council has found to be unused or underutilized. The net proceeds of the sale of MPS real estate shall be deposited in the school operations fund.