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Pittsburgh Public Schools is still selling property

Summary: Pittsburgh Public Schools (PPS) is in the process of receiving proposals for four former school buildings and a piece of vacant land.

The request for proposals (RFP) lists evaluation criteria that the PPS board will take into account when deciding to sell the properties: the development concept, the benefits to PPS, other local governments and the community, the feasibility and expertise of the developer(s).

The total minimum asking price (or minimum reserve price) of the five properties in the RFP is $1.050 million. The highest is for the 23.6 acres of land at $350,000. The buildings—which were closed between 2006 and 2016—have annual utility costs that range from $13,000 to $57,000.

We examined a previous PPS effort to sell 23 properties in a 2012 *Policy Brief (Vol. 12, No.28).*

Three of those buildings are contained in the current RFP. In a news article the district's consultant noted that the delay in selling the properties could be related to "not finding the right buyer who can figure out exactly what to do with a property, whether there's some limitations in terms of size, economics or parking." Besides a voter-approved parks tax, the PPS millage and the city's deed transfer tax increased in 2020, which may be additional impediments.

A search of the remaining properties in PPS board actions, the Allegheny County real estate website as well as information from the consultant handling the sales shows that 16 properties were sold and now have different owners and four were taken off of the market and are still owned by PPS.

In Feb. 2013 the PPS board sold the former Schenley High for $5.2 million. The assessed value of the property, which now is classified by the county as a taxable 40+ unit apartment building, is $26.9 million and generates $633,734 in local property taxes based on 2020 millage rates (PPS, Allegheny County and the City of Pittsburgh including the special levies for libraries and parks).

In the two months thereafter PPS published an asset maximization plan which contained a table with 20 properties and recommendations (sell, donate, demolish, etc.). Thirteen of those sold to new owners for a sum of $4 million. Of those 13, nine sold for $1.9 million and are currently classified as taxable property with uses that include commercial, independent senior living and condominiums. Combined assessed value is $11.2 million and $264,504 is generated in local property taxes.

The remaining four sold for $2.1 million but are owned by the city, the Urban Redevelopment Authority, a non-profit and a school development entity and are tax-exempt. If taxable, the total amount generated in local property taxes would be $393,634.

The combined annual operating cost of the 13 properties was $383,600 and PPS presumably no longer incurs that cost.

According to the consultant two other properties not listed in the 2013 plan also sold and a search of records shows currently one is taxable and one is exempt. The former generates $8,865 in local property taxes while the latter would generate $5,605 if taxable.

The combined assessed value of the four properties PPS decided to take off of the market is $30.8 million, with one property (Murray, which has been reopened as a new school) accounting for almost half of the assessed value total. If taxable, the total amount generated in local property taxes would be $724,023. In the 2013 plan the combined annual operating cost for these buildings was $190,600, an amount that has likely increased.

Based on the 2020 county certified assessment roll, PPS taxable value is $19.7 billion and exempt value is $11.5 billion. Selling to prospective owners that will convert properties to taxable use will help to grow taxable value, thus benefitting PPS and the other taxing bodies. The total assessed value of the buildings (the 23.6 acres of land not included) in the 2020 RFP is $7.1 million. If they are sold and become taxable $167,806 in local property taxes would be generated.

A major component of the PPS effort to sell property in the early part of last decade was to address debt. From 2013 through 2018 total primary government debt for PPS (net general obligation bonds and capital leases) has fallen from $399.6 million to $318.7 million. It is not clear if all of the debt on the properties sold or retained has been retired.

If the board and administration are worried about budget shortfalls—as mentioned the millage rate increased and the district and the city tussled over a portion of the wage tax—then property sales can help. As we noted in 2012, "if the buildings and land can be sold for a positive price, they should be sold as soon as practicable. The properties are generating no revenue and no educational benefits and are therefore a net drag on District finances." Hopefully the RFP properties are sold without much delay.

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