Charter School Facility Development & Financing

Information Session

June 27, 2012

Agenda

➔ Introduction

- Facility Development Process
- Facility Financing
- Louisiana Charter School Facility Landscape
- Louisiana Case Studies

4th sector solutions inc.
private
public
non-profit

Introduction

Joe Keeney – 4th Sector Solutions

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- 15 years in charter school community; former president of national charter school management organization with 50 schools.
- Opened in Baton Rouge in March 2008 to provide back office services (financial management and reporting, school operations support, and human resources). Also provide financial consulting and foodservice program administration.

4th Sector Solutions – Representative Clients	
Harlem Village Academies – NY	Mentorship Academies – LA
Brooklyn City Prep Academy - NY	Slaughter Community Charter School – LA
Friendship Public Charter Schools – DC	ENCORE Learning – LA
Advance Baton Rouge – LA	Neville High School - LA
THRIVE Baton Rouge – LA	Sojourner Truth Academy – LA
Children's Charter School - LA	Pelican Foundation – LA

Introduction

Charter School Real Estate Development and Finance Projects Project Leadership by 4th Sector Solutions Principals (1997-2012)					
School	**Location**	**Approx sf**	**Approx cost**	**Project Description**	**Financing**
Projects Completed:					
Wyatt-Edison Charter School	Denver, CO	70,000	$ 6,500,000	Renovation and new contruction	Philanthropy and bank loan
Friendship Public Charter School -- Chamberlain Campus	Washington, DC	60,000	4,000,000	Renovation	Bank and credit enhanced tax-exempt bond
Friendship Public Charter School -- Woodridge Campus	Washington, DC	40,000	3,000,000	Renovation	Bank and credit enhanced tax-exempt bond
Friendship Public Charter School -- Blow Pierce Campus	Washington, DC	80,000	6,000,000	Renovation	Bank and credit enhanced tax-exempt bond
Friendship Public Charter School -- Woodson Campus	Washington, DC	155,000	13,000,000	Renovation	Bank and credit enhanced tax-exempt bond
Friendship Public Charter School -- Southeast Campus	Washington, DC	40,000	13,000,000	New construction - expansion	Bank and credit enhanced tax-exempt bond
Friendship Public Charter School -- Tech Prep Campus	Washington, DC	14,000	3,750,000	Acquisition and modulars	Third-party loan
Thomas Edison Public Charter School	Wilmington, DE	78,000	7,000,000	Renovation	Philanthropy and bank loan
Charles Drew Charter School	Atlanta, GA	80,000	14,000,000	New construction	Philanthropy
Chicago International Charter School -- Longwood Campus	Chicago, IL	100,000	2,000,000	Renovation	Philanthropy and tax-exempt bond
Christel House Academy	Indianapolis, IN	40,000	4,000,000	Expansion	Credit-enhanced tax-exempt bond
Mentorship Academies	Baton Rouge, LA	55,000	6,500,000	Renovation	Sale and leaseback (REIT)
Slaughter Community Charter School	Slaughter, LA	17,000	125,000	Modular lease	Private funding for sitework
Seven Hills Charter School	Worcester, MA	60,000	4,500,000	Renovation	Bank loan
Detroit Academy of Arts & Sciences -- Medbury Campus	Detroit, MI	108,000	12,000,000	Renovation	Tax-exempt bond
Detroit Academy of Arts & Sciences -- Jefferson Campus	Detroit, MI	120,000	10,000,000	Renovation	Bank loan and tax-exempt bond
Detroit Edison Public School Academy	Detroit, MI	100,000	7,000,000	Renovation	Bank loan and developer financing
Detroit YMCA Service Learning Academy	Detroit, MI	75,000	9,000,000	New construction	Tax-exempt bond
Edison Oakland Public School Academy	Ferndale, MI	87,000	3,000,000	Renovation	Third-party loan
Mid-Michigan Public School Academy	Lansing, MI	100,000	2,000,000	Renovation	Third-party loan
Ben Ross Public School Academy	Warren, MI	100,000	1,000,000	Renovation	Third-party loan
Duluth Public School Academy -- Kenwood Campus	Duluth, MN	30,000	1,000,000	Renovation	Third-party loan
Duluth Public School Academy -- Raleigh Campus	Duluth, MN	25,000	2,000,000	Renovation	Third-party loan
Duluth Public School Academy -- Washburn Campus	Duluth, MN	40,000	3,000,000	Renovation	Third-party loan
Westport Allen-Edison Village Educational School	Kansas City, MO	40,000	3,000,000	Renovation	Third-party loan
Derrick Thomas Academy	Kansas City, MO	90,000	9,000,000	Renovation	Bank loan and philanthropy
Confluence Academy -- Old North Campus	St. Louis, MO	30,000	3,000,000	Renovation	Third-party loan
Confluence Academy -- Walnut Park Campus	St. Louis, MO	60,000	4,000,000	Renovation	Third-party loan
Schomburg Charter School	Jersey City, NJ	34,000	8,000,000	New construction	Third party loan and philanthropy
Granville Charter School	Trenton, NJ	90,000	11,000,000	Renovation	Sale and leaseback (REIT)
Granville Charter High School	Trenton, NJ	70,000	9,000,000	Renovation	Third-party loan
New Covenant Charter School	Albany, NY	80,000	13,000,000	New construction	Tax-exempt bond
Harriet Tubman Charter School	Bronx, NY	15,000	1,000,000	Renovation	Third-party loan
Stepping Stone Academy Charter School	Buffalo, NY	65,000	4,500,000	Renovation	Third-party loan
Harlem Village Academy High School	New York, NY	56,000	50,000,000	New construction	80%/20% public/private
Harlem Village Academy Elementary (in Design Phase)	New York, NY	65,000	30,000,000	Renovation	Philanthropy
Riverhead Charter School	Riverhead, NY	20,000	3,000,000	Renovation and modular addition	Third-party loan
Charter School of Science and Technology	Rochester, NY	97,540	9,000,000	Renovation	Third-party loan
Charter School for Applied Technologies	Tonawanda, NY	75,000	7,000,000	Renovation	Tax-exempt bond
Dayton Academy	Dayton, OH	90,000	9,000,000	New construction	Philanthropy and bank loan
Dayton View Academy	Dayton, OH	90,000	9,000,000	New construction	Philanthropy and bank loan
Mariana Bracetti Academy	Philadelphia, PA	60,000	5,000,000	Renovation	Developer financing
Renaissance Academy-Edison Charter School	Phoenixville, PA	63,000	8,000,000	New construction	Third-party loan
Renaisaance Academy of Pittsburgh Alternative of Hope	Pittsburgh, PA	22,000	500,000	Renovation	Third-party loan
Milwaukee Academy of Science	Milwaukee, WI	89,000	8,000,000	Renovation	Tax-exempt bond
Milwaukee Urban League Academy of Bus. & Ec.	Milwaukee, WI	40,000	4,000,000	Renovation	Third-party loan
Total Projects Completed		3,015,540	$345,375,000		

Charter school development experience:

46 projects

3+ million sf

$345 million total project cost

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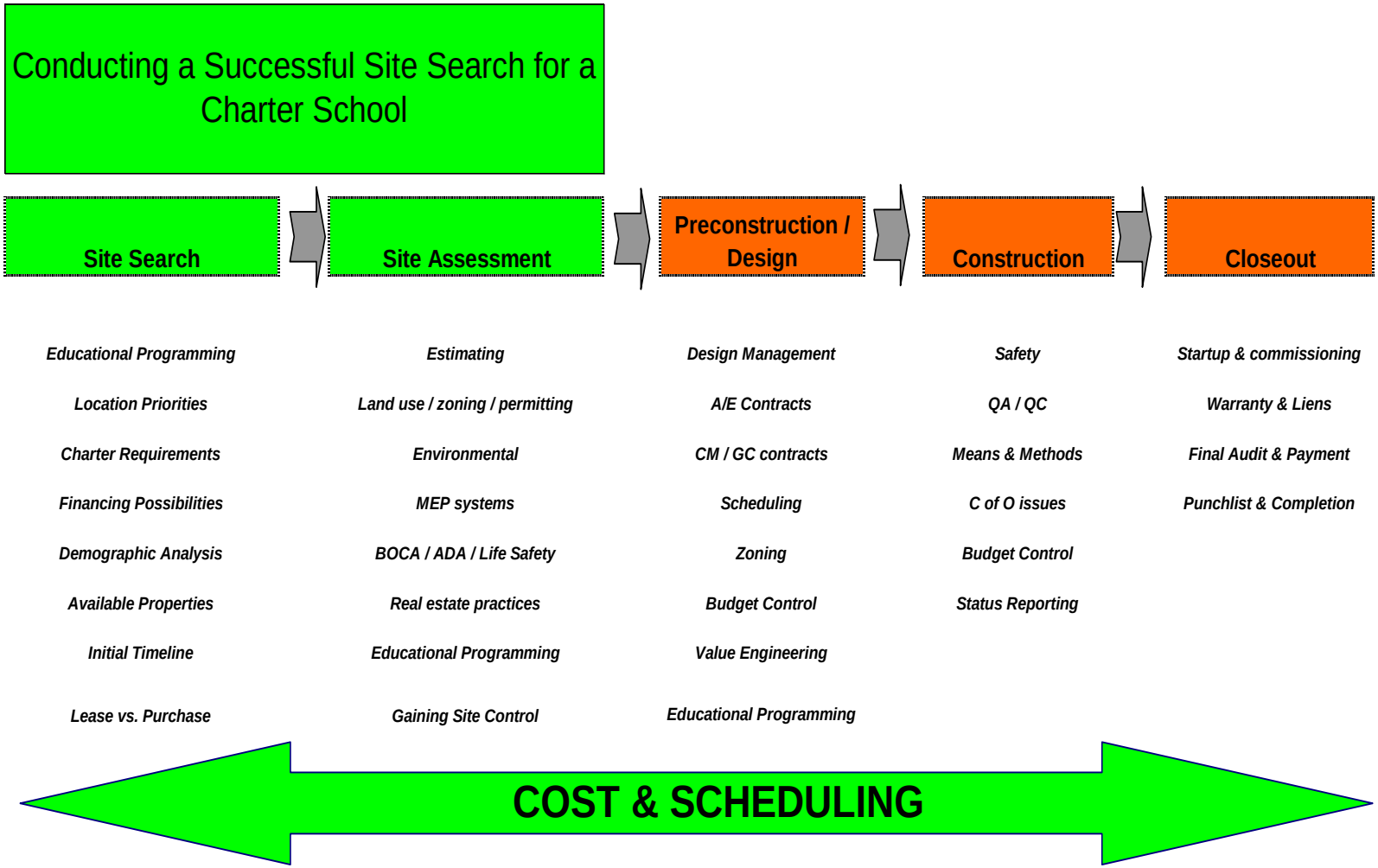
Facility Development Process



Facility Development Process

Your Partners in the Facility Search Process

- Charter Board
- Charter Authorizer
- Experienced Professionals
- Other Charter Schools
- EMO/CMO

Facility Development Process

Defining Facility Needs

(a) via the School Mission

MACRO– needs: Transferring Board's Vision to Prospective Sites

- Number of students / grade levels in Year-1.
- Long range goals / maximum enrollment.
- Unique requirements that are a part of the founder's vision.
- Profile of served students / demographics and school geography.
- How much debt service or lease payments can the school support?

Facility Development Process

Defining Facility Needs

(b) via the Educational Program

MICRO– needs: vision translated to facility

- Size of Facility / Size of Classrooms
- Support/Ancillary Spaces
- Equipment and Technology
- Specialty Instructional Areas
- Outdoor Spaces
- Opportunity for access to other facilities in the community, e.g. YMCA, theater.

Facility Development Process - Space Planning

1	**SAVOY ELEMENTARY SCHOOL**	**PROGRAM SUMMARY - SCHEME 1/SCHEME 2**						
3			**Master Plan**		**Scheme 1**		**Scheme 2**	
4	Space Category	Existing Net Area	Proposed Net Area	Net Change	Proposed Net Area	Net Change	Proposed Net Area	Net Change
5	Academic Core	25,847	21,850	-3,997	24,918	-929	24,918	-929
6	Media Center	1,191	2,520	1,329	2,520	1,329	2,520	1,329
7	Visual Arts	695	1,325	630	1,000	305	1,000	305
8	Music	695	1,050	355	1,050	355	1,050	355
9	Administrative	2,146	1,955	-191	3,285	1,139	3,285	1,139
10	Student Dining & Food Services	6,436	4,950	-1,539	4,240	-2,196	4,240	-2,196
11	Multi-Purpose Shared Activity Areas	1,533						
12	Engineering & Custodial Services	1,797	600	-1,197	600	-1,197	600	-1,197
13	Building Services	4,230	5,304	1,074	3,473	-757	3,473	-757
14	**Existing Elementary School Facility**	**44,570 nsf**	**39,554 nsf**		**41,086 nsf**		**41,086 nsf**	
15	Net-to-Gross Multiplier:	1.38						
16	Existing Gross Floor Area	**61,578 gsf**	**54,648 gsf**		**56,764 gsf**		**56,764 gsf**	
18	**JOINT USE FACILITY**							
19	**PHYSICAL EDUCATION - RECREATION - FITNESS - ATHLETICS (SAVOY, TMA & DPR)**							
20			**Master Plan**		**Scheme 1**		**Scheme 2**	
21	Room Name	Existing Net Area	Proposed Net Area	Net Change	Proposed Net Area	Net Change	Proposed Net Area	Net Change
22	Physical Education	-	14,500	14,500	13,754	13,754	16,230	16,230
23	Multi-Purpose Shared Activity Areas	1,533	2,250	3,120	3,120	1,587	2,945	1,412
24	**Proposed Addition (nsf)**		**16,750**	**17,620**	**16,874**	**15,341**	**19,175**	**17,642**
25	Proposed Gross Area (Net x 1.38)		**24,316**		**21,171**		**24,346**	
27	**TOTAL PROPOSED GSF:**		**78,963 gsf**		**77,935 gsf**		**81,110 gsf**	
28	**Parking**				41 Surface		36 Underground	

Summary | Acad Core | MediaCtr | VisArts | Music | Admin | Dining & FS | Eng & Cust | Bldg Serv | Joint Use Bldg | Site & Pking

Source: Savoy Educational Specifications; October 2006, 21st Century School Fund.

Facility Development Process - Space Planning

K - 8

Project Program Comparison

Project Site:	Anytown, USA	**Academy Type:**	PrEleJr
Prepared By:	Joe Smith, ABC Company	**Grades:**	K - 8
Date Prepared / Updated:	2-Jul-01	**Student Population:**	900 - 1080
Staff - Instruction / Non Instruction	63.0 27.0	**No. of Groups**	36

	Program Space	Ksixteen Standard Program Ranges						Proposed Project Program			Project Program vs. Minimum	Project Program vs. Standard
		Space Area		Space Quantity		Total Area		Area	Quantity	Total		
		Minimum	Standard	Minimum	Standard	Minimum	Standard					
1	**Classroom Requirements**											
2	Standard Classroom	700	800	34	33	23,800	26,400			-	(23,800)	(26,400)
3	Science Labs (double as additional	800	1,000	2	3	1,600	3,000			-	(1,600)	(3,000)
4	standard classrooms)									-	-	-
5	Special Subject Classrooms	700	800	0	7	-	5,600			-	-	(5,600)
6										-	-	-
8	**Non-classroom Requirements**											
9	Spec. Ed./Reading Rooms (do not cluster)	400	400	3	6	1,200	2,400			-	(1,200)	(2,400)
10	Library	1,600	3,200	1	1	1,600	3,200			-	(1,600)	(3,200)
11	Computer Lab	800	1,000	1	2	800	2,000			-	(800)	(2,000)
12	Server Room	200	200	1	1	200	200			-	(200)	(200)
13	Tech. Staff Offices	100	100	2	2	200	200			-	(200)	(200)
14	Multi-Purpose Room	2,000	2,000	1	1	2,000	2,000			-	(2,000)	(2,000)
15	Gymnasium (42' x 74' Court w / apron)	4,368	5,828	1	1	4,368	5,828			-	(4,368)	(5,828)
16	Student Changing Rooms	600	700	2	2	1,200	1,400			-	(1,200)	(1,400)
17	Secured Storage @ Gym	250	250	2	2	500	500			-	(500)	(500)
18	P.E. Office	100	100	1	1	100	100			-	(100)	(100)
19	Cafetorium	3,600	5,400	1	1	3,600	5,400			-	(3,600)	(5,400)
20	Furniture / Activities Storage	250	250	1	1	250	250			-	(250)	(250)
21	Warming Kitchen	500	800	1	1	500	800			-	(500)	(800)
22	Teacher Lounge	500	500	1	2	500	1,000			-	(500)	(1,000)
23	Teacher Workroom	500	500	1	2	500	1,000			-	(500)	(1,000)
24	Principal's Office	250	300	1	1	250	300			-	(250)	(300)
25	Reception Area / Admin. Area	900	900	1	1	900	900			-	(900)	(900)
26	Staff Offices	100	100	4	8	400	800			-	(400)	(800)
27	Conference Room	400	500	1	1	400	500			-	(400)	(500)
28	Nurse Office / Station (Adjacent to toilets)	250	250	1	1	250	250			-	(250)	(250)
29	Storage - Educational Materials	750	750	3	4	2,250	3,000			-	(2,250)	(3,000)
30	Storage - Facilities Equipment	500	500	3	3	1,500	1,500			-	(1,500)	(1,500)
31						-	-			-	-	-
33	**Subtotal All Program Spaces**					48,868	68,528			-	(48,868)	(68,528)
35	**Building Common and Circulation**	25%	33%			16,289	33,753		33%	-	(16,289)	(33,753)
37	**Total Space Requirements**					65,157	102,281			-	(65,157)	(102,281)
39	**Total On Site Parking Requirements**					77	90				(77)	(90)

Facility Development Process

Demographics and Location

- What student population is being targeted?
- What are the location requirements that are set forth in the charter?
- What aspects of "The Dream" are you willing to compromise due to potential constraints?
  - *(e.g., location, class size, program, etc.)*
- Location of other schools
  - *(charter, district, private)*
- GIS Mapping as a tool *(prospective sites + enrollment)*

Facility Development Process

Building Site Inventory

- **Educational Facilities**
  - Collaborate with school district
    - *Opportunities to share*
    - *Opportunities to be sole tenant*
  - Collaborate with local diocese
  - Charters that may have closed or moved
  - Private schools that are “upgrading”

- **Converting Non-Educational Use Buildings**

  - Commercial, Industrial, Retail, Healthcare

- **New Construction**
  - Land size requirements, zoning, setbacks, coverage

- **Temporary Sites (+/-)**
  - Modular construction

Facility Development Process

Site Due Diligence

- Rough order of magnitude (ROM) estimate
- Development timeline
- Extent of ADA improvements
- Zoning approval process
  - "as of right use" vs. discretionary approval process
- Environmental concerns
  - Phase I ESA, IAQ, Asbestos, Lead, etc
- MEP analysis (lifecycle analysis)
- Space Evaluation
- Schematic Design

Does the prospective site provide the Charter Board an opportunity to accomplish all of the goals?

Facility Development Process – Cost Estimate Example

Project Cost Summary Report

Budget Date 11/26/02

Floors 4 FL
Classrooms 45 Rms

Gross Building Sq Ft 90,325 Sq Ft
Building Age 45 years Yrs

	Building Acquisition	**1,303,596.32**	$14.43

PROJECT COST SUMMARY

	Building Improvements	**Cost**	**Cost/GSF**
01	Hazardous Material	$0	$0.00
02	Demolition	$385,167	$4.26
02	Sitework	$473,677	$5.24
03	Concrete	$0	$0.00
04	Masonry	$0	$0.00
05	Structural Steel	$255,323	$2.83
06	Wood	$101,832	$1.13
07	Roofing	$170,896	$1.89
08	Doors & Windows	$171,479	$1.90
09	Interior Finishes	$959,903	$10.63
10	Specialties	$18,041	$0.20
11	Equipment	$0	$0.00
12	Furnishings	$0	$0.00
13	Specialty Items	$111,018	$1.23
14	Elevators	$86,900	$0.96
15	Mechanical	$786,065	$8.70
15	Plumbing	$297,139	$3.29
16	Fire Protection System	$115,848	$1.28
16	Electrical	$511,546	$5.66
17	Technology Wiring	$97,549	$1.08
	Direct Work Subtotal	**$4,542,383**	**$50.29**
	General Conditions	$358,012	$3.96
	Construction Fee	$165,107	$1.83
	Contingency	$218,301	$2.42
	Subtotal Building Improvements	**$5,283,803**	**$58.50**
	Environmental Consultant	46,045	$0.51
	A & E Fees	132,217	$1.46
	Technology Design Fee	16,574	$0.18
	Project Management	181,283	$2.01
	Legal Fees	144,587	$1.60
	Other Fees and Permits	4,866	$0.05
	Other Controlled Costs	77,332	$0.86
	Pre-Construction Services	10,000	$0.11
	Specialties	28,106	$0.31
	General Contingency	30,000	$0.33
	Development Fee	$433,705	$4.80
	Facilities Improvements Subtotal	**$6,388,518**	**$70.73**
	Facilities Improvements Subtotal Building Acquisition	**$7,692,115**	**$85.16**
	Capitalized Interest on Edison Loan	215,000	$2.38
	Furniture and Fixtures Subtotal	243,500	$2.70
	Technology	1,067,600	$11.82
	Financing Fees	278,199	$3.08
	Total Facility Cost	**$9,496,414**	**$105.14**

Facility Development Process

Gaining Site Control

Lease

- Non-binding letter of intent
  - option or right of refusal
- Broker facilitate vs. local counsel
- Key terms and conditions
- Triple net (NNN) vs. Gross Lease vs Modified Gross

Purchase

- Non-binding letter of intent
  - option or right of refusal
- Broker facilitate vs. local control
- Key terms and conditions
- Purchase contract; contingency periods

Facility Development Process

Do's & Don'ts

- Don't believe the contractor who says he can build you a building for $80/sf. Be careful of companies that claim unique expertise but reside out of State and have little local knowledge.
- Don't assume that 12 months is plenty of time to find, secure, design, permit, build and move in.
- Do conduct due diligence on firms that you are considering to hire.
- Let friends and acquaintances advise but be careful before hiring *(beware of advice without the proper expertise).*
- Be open to what other charter schools have experienced – learn from their mistakes and successes.

Facility Development Process

Research Studies Indicate…

- Teachers are more likely to stay in schools with a high quality facility.
- Better facilities correlate to improved student attendance, reduced suspension and drop-out rates, and fewer behavioral incidents.
- Students in high quality facilities outperform their peers in low quality facilities by 3-7% on standardized tests .

Building Condition Matters

- **Healthy Indoor Air Quality** (IAQ) supports better respiration and does not trigger asthma or allergies in students and staff; occupants are more alert.
- **Thermal comfort** enables occupants to focus on work and avoid utilizing energy to keep warm or cool.

Building Design Matters

- **Adequate day lighting** helps occupants with focus and energy.
- **Good acoustics** help students and teachers hear and be heard effectively, increasing levels of comprehension.
- **Specialty design** aligns space to instruction and content and supports a rich curriculum.

Facility Development Process

Building Utilization Matters

- **Appropriately sized and utilized** school buildings contribute to a healthy school climate for teachers, staff and students.
- **Community use** of public school facilities brings public support for schools and improves neighborhoods.

Facility Development Process

Educational Facility Planning Will…

- Secure the benefits of a high quality facility .
- Ensure timely management of enrollment growth or change.
- Provide for cost effective facility spending.
- Enable access to real estate and facility funding opportunities.

Facility Development Process

Define Amount of Space Needed

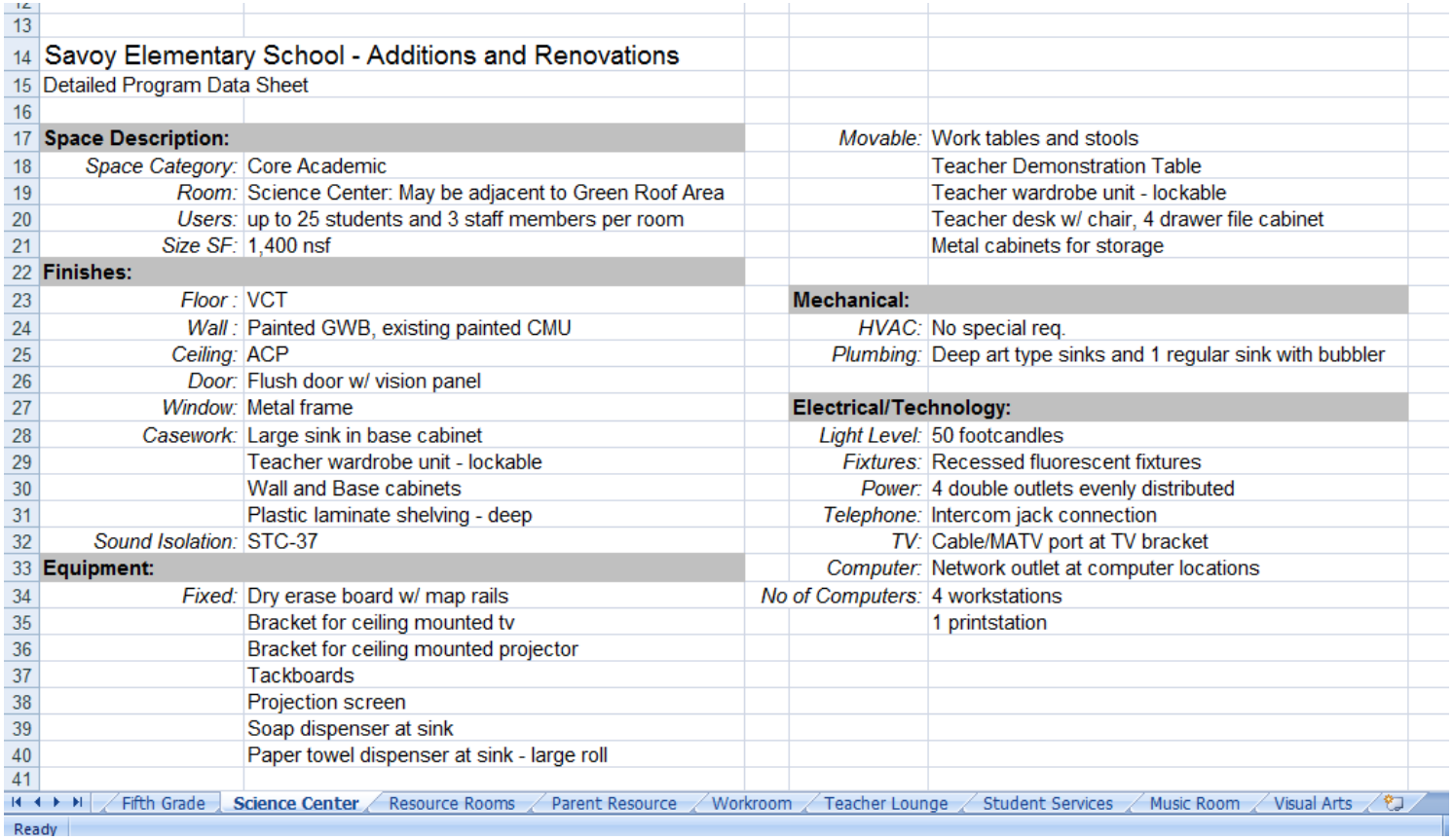
- Current and planned enrollment.
- Current and planned staffing.
- Identify specific program, administrative and operational spaces and sizes.

Define Individual Space Requirements

- With planner and/or architect define specific requirements for each space:
  - Adjacencies
  - Furniture
  - Fixtures
  - Storage
  - Technology
  - Daylighting
  - Finishes

Facility Development Process

Individual Space Specifications – Example:



13				
14	Savoy Elementary School - Additions and Renovations			
15	Detailed Program Data Sheet			
16				
17	**Space Description:**			*Movable:* Work tables and stools
18	*Space Category:*	Core Academic		Teacher Demonstration Table
19	*Room:*	Science Center: May be adjacent to Green Roof Area		Teacher wardrobe unit - lockable
20	*Users:*	up to 25 students and 3 staff members per room		Teacher desk w/ chair, 4 drawer file cabinet
21	*Size SF:*	1,400 nsf		Metal cabinets for storage
22	**Finishes:**			
23	*Floor :*	VCT	**Mechanical:**	
24	*Wall :*	Painted GWB, existing painted CMU	*HVAC:*	No special req.
25	*Ceiling:*	ACP	*Plumbing:*	Deep art type sinks and 1 regular sink with bubbler
26	*Door:*	Flush door w/ vision panel		
27	*Window:*	Metal frame	**Electrical/Technology:**	
28	*Casework:*	Large sink in base cabinet	*Light Level:*	50 footcandles
29		Teacher wardrobe unit - lockable	*Fixtures:*	Recessed fluorescent fixtures
30		Wall and Base cabinets	*Power:*	4 double outlets evenly distributed
31		Plastic laminate shelving - deep	*Telephone:*	Intercom jack connection
32	*Sound Isolation:*	STC-37	*TV:*	Cable/MATV port at TV bracket
33	**Equipment:**		*Computer:*	Network outlet at computer locations
34	*Fixed:*	Dry erase board w/ map rails	*No of Computers:*	4 workstations
35		Bracket for ceiling mounted tv		1 printstation
36		Bracket for ceiling mounted projector		
37		Tackboards		
38		Projection screen		
39		Soap dispenser at sink		
40		Paper towel dispenser at sink - large roll		
41				

Fifth Grade | Science Center | Resource Rooms | Parent Resource | Workroom | Teacher Lounge | Student Services | Music Room | Visual Arts

Ready

Facility Development Process

Public Bid Laws

- Public Bid Laws apply for Louisiana charter school construction projects > $100K.

Facility Development Process

Key Takeaways

- Planning is critical
  - Poor facility planning will cost you --if you start out “wrong,” it is expensive to recover.
  - It is a board and staff leadership responsibility.
  - It takes time…start early.
- Process
  - Build the team carefully, team members are as important as results.
  - Define decision-making processes early.

Facility Development Process

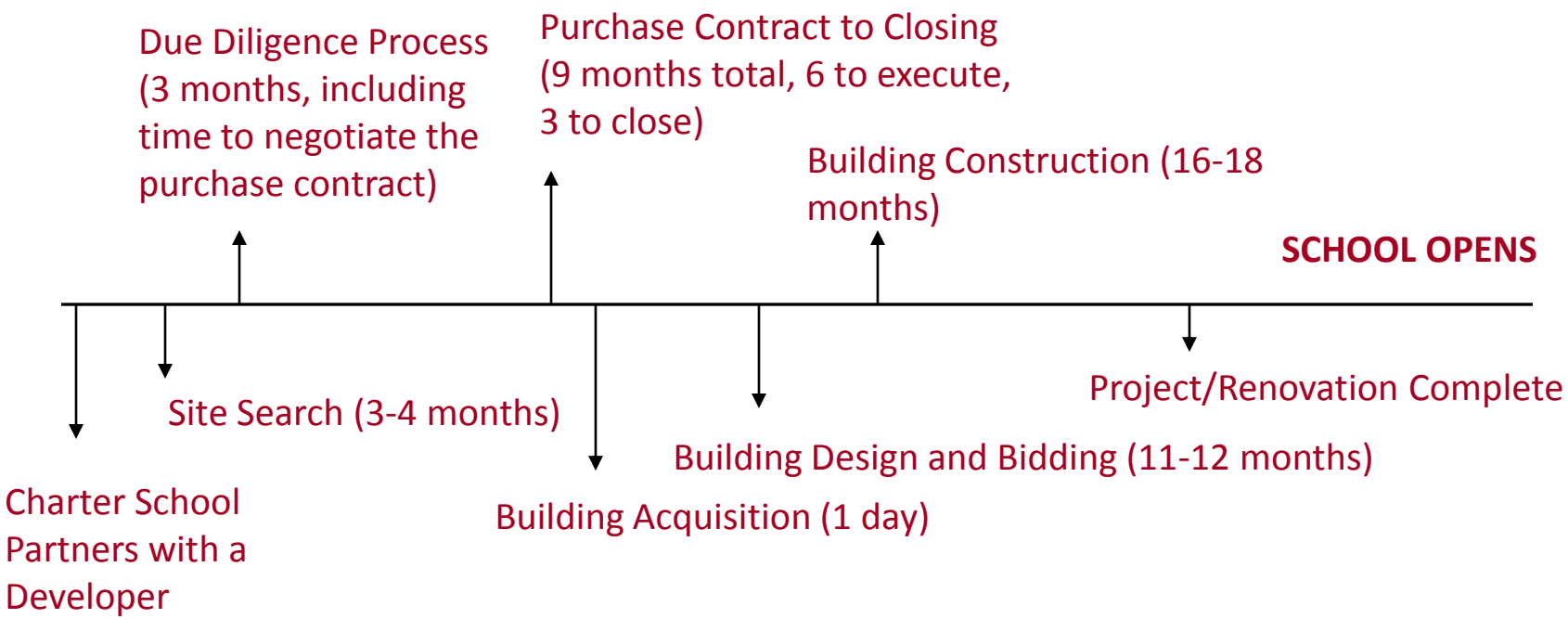
The Payoff

- High quality educational facility planning gets you a better school, not just a better building.
- It ensures that your dollars and time are spent where they have the greatest educational payoff.

Facility Development Process

General Timeline for Development

Average Total Time: 3 years



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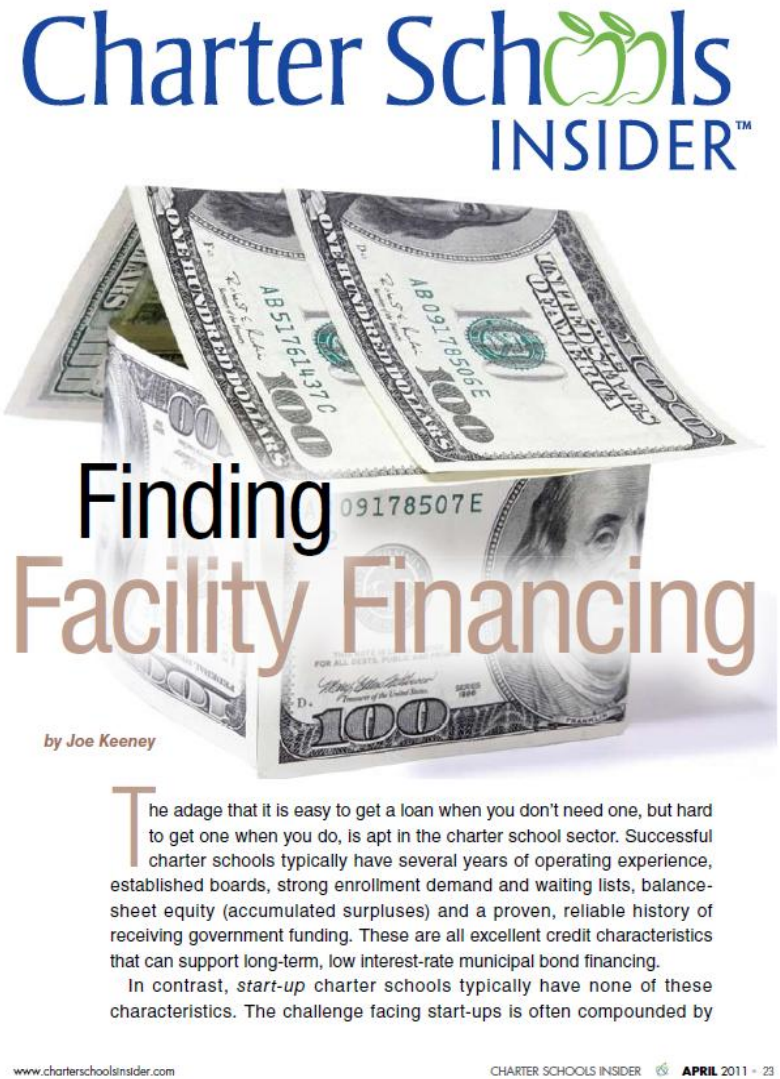
Facility Financing



[Handout also available at](www.charterschooltools.org)

www.charterschooltools.org

4 private public non-profit th sector solutions inc.

Facility Financing

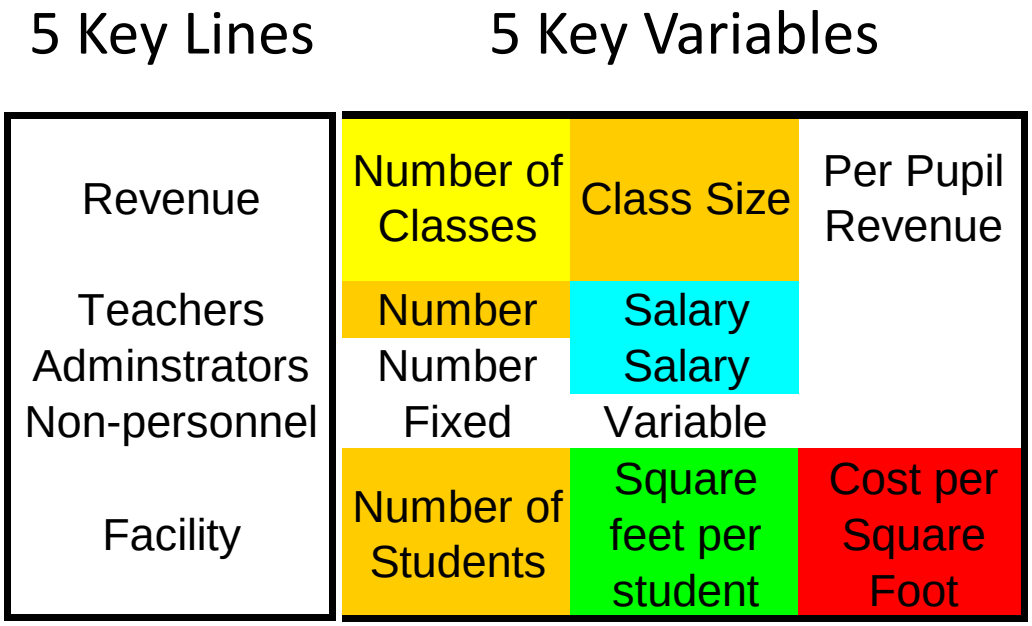
5 Key Lines

Revenue

Teachers
Adminstrators
Non-personnel

Facility

Facility Financing



Charter School Finance

5 Key Lines	5 Key Variables			Pro Forma
Revenue	Number of Classes	Class Size	Per Pupil Revenue	100%
Teachers	Number	Salary		57%
Adminstrators	Number	Salary		13%
Non-personnel	Fixed	Variable		10%
Facility	Number of Students	Square feet per student	Cost per Square Foot	15%

Facility Financing

5 Key Lines	5 Key Variables			Pro Forma
Revenue	Number of Classes	Class Size	Per Pupil Revenue	100%
Teachers	Number	Salary		57%
Adminstrators	Number	Salary		13%
Non-personnel	Fixed	Variable		10%
Facility	Number of Students	Square feet per student	Cost per Square Foot	15%

Surplus	5%

Facility Financing – Sensitivity Analysis

Revenue	Number of Classes	Class Size	Per Pupil Revenue	100%
Teachers	Number	Salary		52%
Adminstrators	Number	Salary		13%
Non-personnel	Fixed	Variable		15%
Facility	Number of Students	Square feet per student	Cost per Square Foot	15%
Surplus				5%

Revenue	18	20	$ 8,000	$ 2,880,000	100%
Teachers	24	$ 62,500		$ 1,500,000	52%
Adminstrators	5	$ 75,000		$ 375,000	13%
Non-personnel	$ 345,600	$ 86,400		$ 432,000	15%
Facility	360	90	$ 13.00	$ 421,200	15%
Surplus				$ 151,800	5%

10% increase in salary $ (187,500)

Revenue	18	20	$ 8,000	$ 2,880,000	100%
Teachers	24	$ 68,750		$ 1,650,000	57%
Adminstrators	5	$ 82,500		$ 412,500	14%
Non-personnel	$ 345,600	$ 86,400		$ 432,000	15%
Facility	360	90	$ 13.00	$ 421,200	15%
Surplus				$ (35,700)	-1%

10% increase in class size $ 269,856

Revenue	18	22	$ 8,000	$ 3,168,000	100%
Teachers	24	$ 62,500		$ 1,500,000	47%
Adminstrators	5	$ 75,000		$ 375,000	12%
Non-personnel	$ 345,600	$ 104,544		$ 450,144	14%
Facility	396	82	$ 13.00	$ 421,200	13%
Surplus				$ 421,656	13%

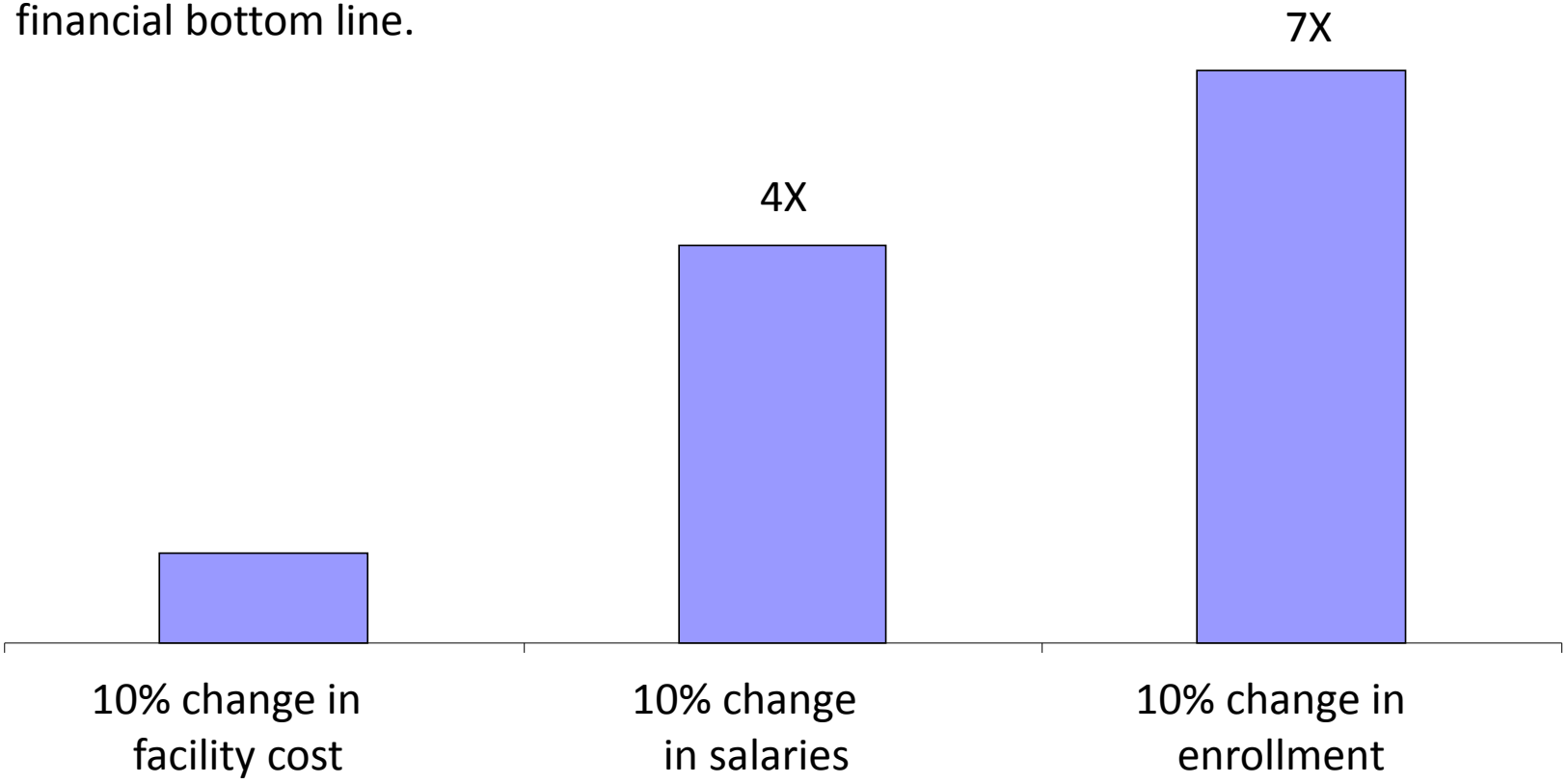
10% increase in facility cost $ (42,120)

Revenue	18	20	$ 8,000	$ 2,880,000	100%
Teachers	24	$ 62,500		$ 1,500,000	52%
Adminstrators	5	$ 75,000		$ 375,000	13%
Non-personnel	$ 345,600	$ 86,400		$ 432,000	15%
Facility	360	90	$ 14.30	$ 463,320	16%
Surplus				$ 109,680	4%

Facility Financing

Sensitivity Analysis

Increasing or decreasing has the greatest impact on your financial bottom line.



Facility Financing

Key Takeaways

- Small number of key variables
  - Enrollment/class size
  - Salaries
- Need for surplus

Real Estate Finance

Key Concepts

- Project Cost and Annual Cost
  - Basic equation
  - How much do you have to borrow to pay for a $100 door?
- Lender's/funder's perspective
- Cash flow vs. collateral
- Debt service coverage
- Reserves
- Back-fill

Facility Financing

Basic Equation

$$\text{Number of students} \times \frac{\text{Square feet}}{\text{Student}} \times \frac{\text{Cost}}{\text{Square foot}} \times \frac{\text{Annual Cost}}{\text{Total Cost}} = \text{Annual Cost}$$

Facility Financing

Basic Equation

Example

$$\text{Number of students} \times \frac{\text{Square feet}}{\text{Student}} \times \frac{\text{Cost}}{\text{Square foot}} \times \frac{\text{Annual Cost}}{\text{Total Cost}} = \text{Annual Cost}$$

300 X 100 X $200 X 8% = $480K

Annual cost per student = $480K/300 = $1,600

Annual cost per square foot = $480K/30K = $16

Facility Financing

Reasonable Ranges for Basic Equation

	Renovate	Low	"Average"	High
Students	300	300	300	300
Square feet per student	100	80	100	120
Project cost per square foot (new)	$40.00	$80.00	$200.00	$300.00
Total project cost	$1,200,000	$1,920,000	$6,000,000	$10,800,000
per student	$4,000	$6,400	$20,000	$36,000

Annual Rent or Debt Service				
Bond @ 6%	$98,422	$157,476	$492,111	$885,800
per student	$328	$525	$1,640	$2,953
Rent @ 12%	$144,000	$230,400	$720,000	
per student	$480	$768	$2,400	

Facility Financing

How much do you have to borrow to pay for a $100 door?

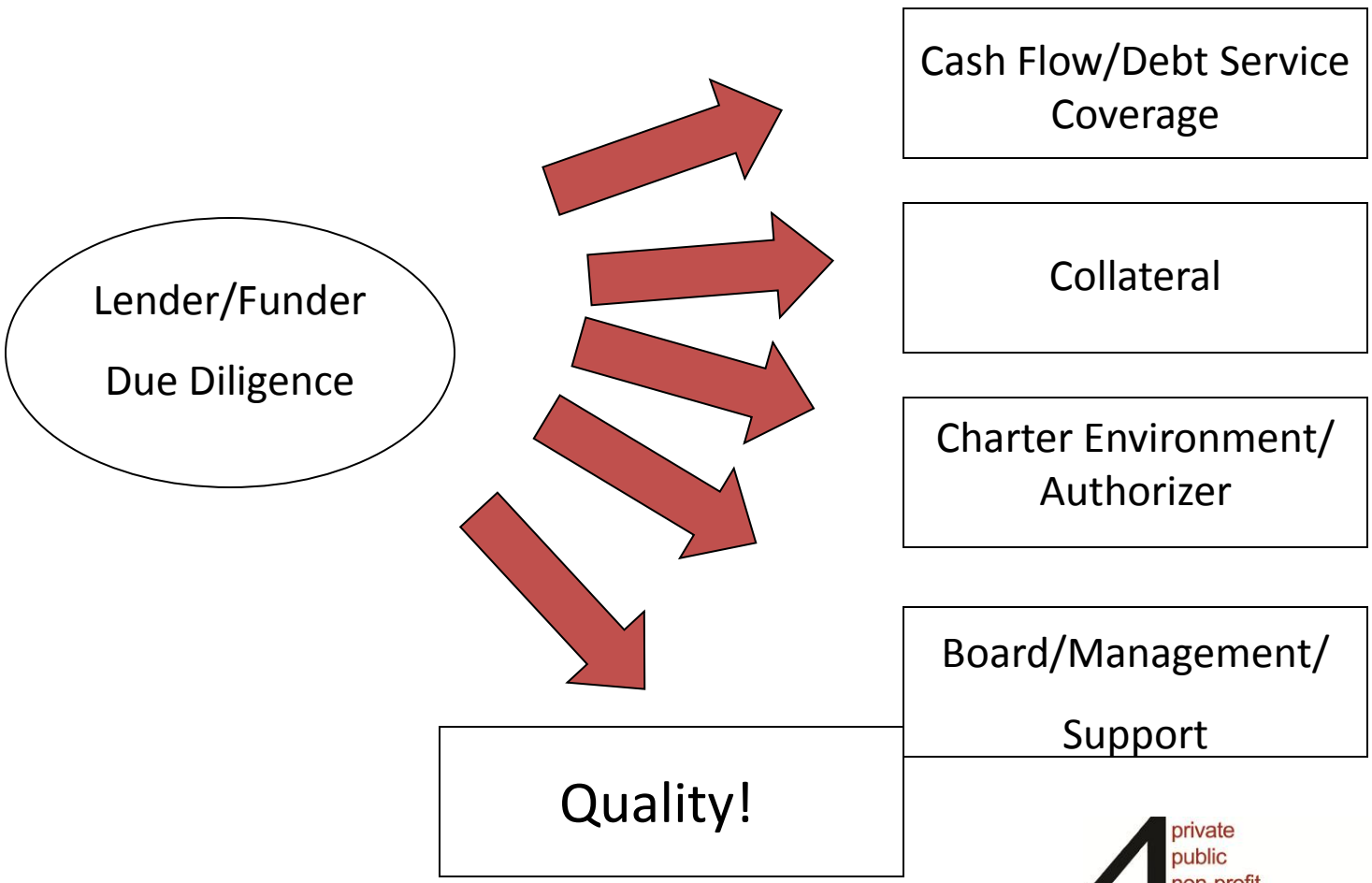
Facility Financing

How much do you have to borrow to pay for a $100 door?

Door		$ 100.00
Construction management fee	3%	$ 3.00
General conditions	10%	$ 10.00
Payment & performance bonds	1%	$ 1.00
Insurance	2%	$ 2.00
Design & construction contingency	10%	$ 10.00
Owner contingency	5%	$ 5.00
Construction cost		$ 131.00
Debt service reserves	8%	$ 10.92
Capitalized interest	4%	$ 5.46
Cost of issuance	2%	$ 2.62
Total amount borrowed		$ 150.00

Facility Financing

Lender's Perspective



Facility Financing

- Cash flow and collateral – which school is more likely to get a $6 million loan?

Revenue	18	20	$ 8,000	$ 2,880,000	100%
Teachers	24	$ 62,500		$ 1,500,000	52%
Adminstrators	5	$ 75,000		$ 375,000	13%
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Facility	396	82	$ 13.00	$ 421,200	13%
Surplus				$ 421,656	13%

Building Value
$12MM
$8MM

Facility Financing

Debt Service Coverage

$$\text{Debt Service Coverage} = \frac{\text{Cash Flow}}{\text{Debt Service}}$$

Cash Flow = Surplus, Operating Income, EBITDA

Debt Service = Principal plus interest

Facility Financing

Debt Service Coverage

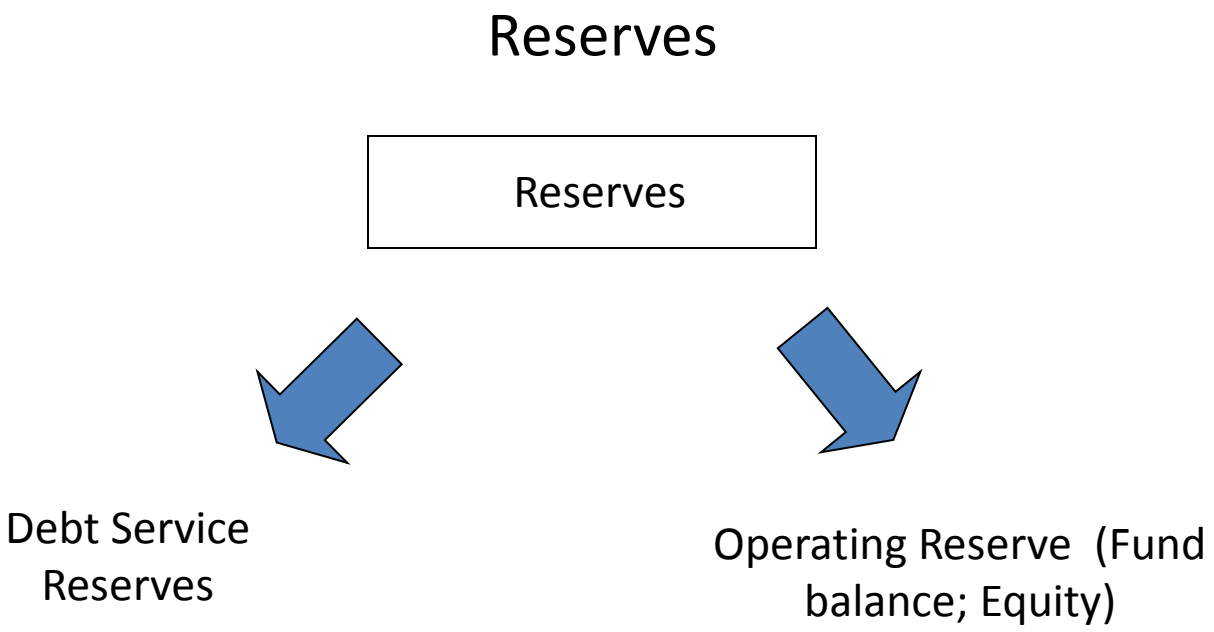
$$\text{Debt Service Coverage} = \frac{\text{Cash Flow}}{\text{Debt Service}}$$

Cash Flow = Surplus, Operating Income, EBITDA

Debt Service = Principal plus interest

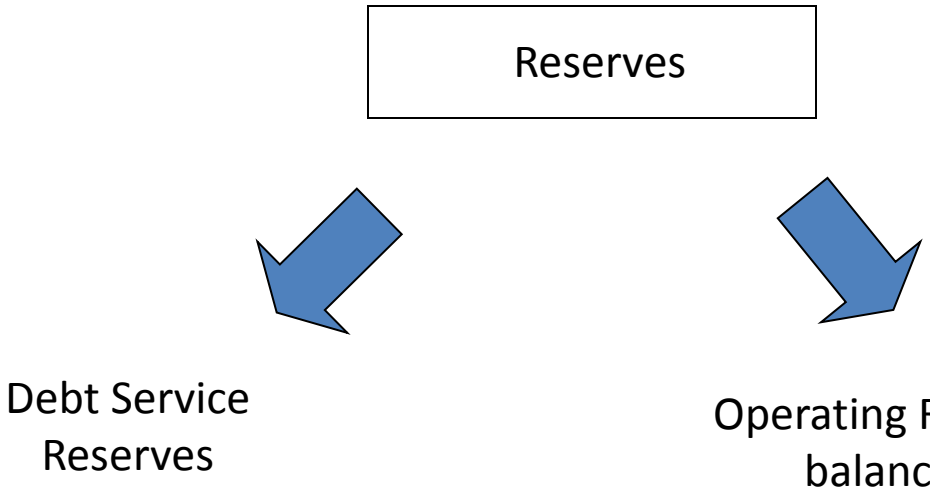
Minimum = 1.25	Target = 2.0+

Facility Financing



Facility Financing

Reserves



How can a management company be a blessing and a curse?

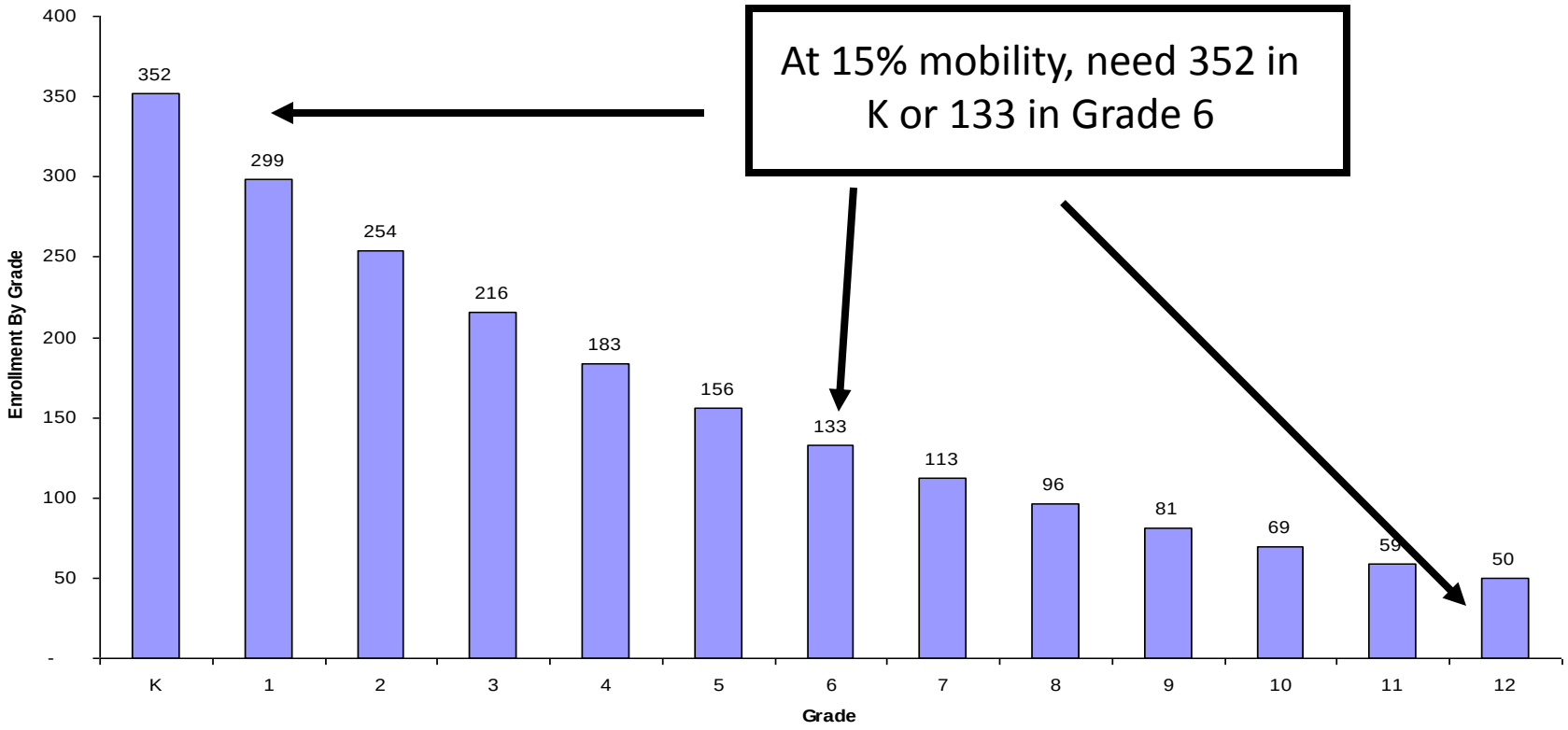
Facility Financing

Back-Filling

How many students do you need to start with in order to graduate 50?

Facility Financing

How many students do you need to start with in order to graduate 50?

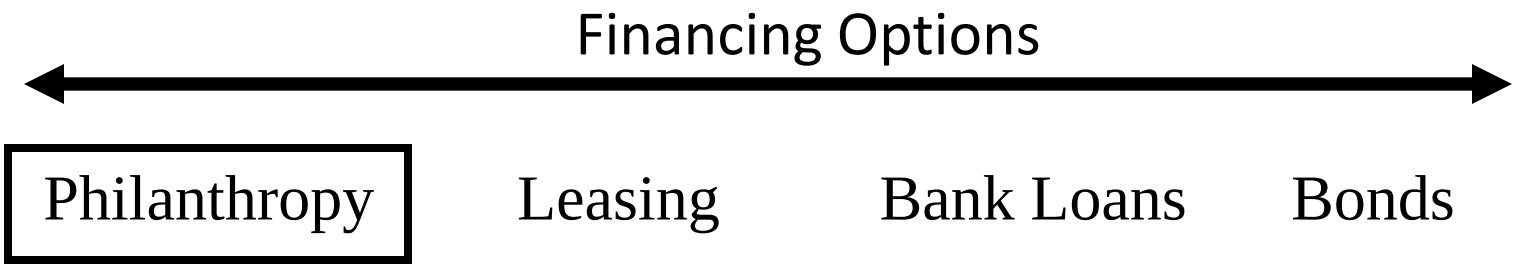


Facility Financing

Financing Options

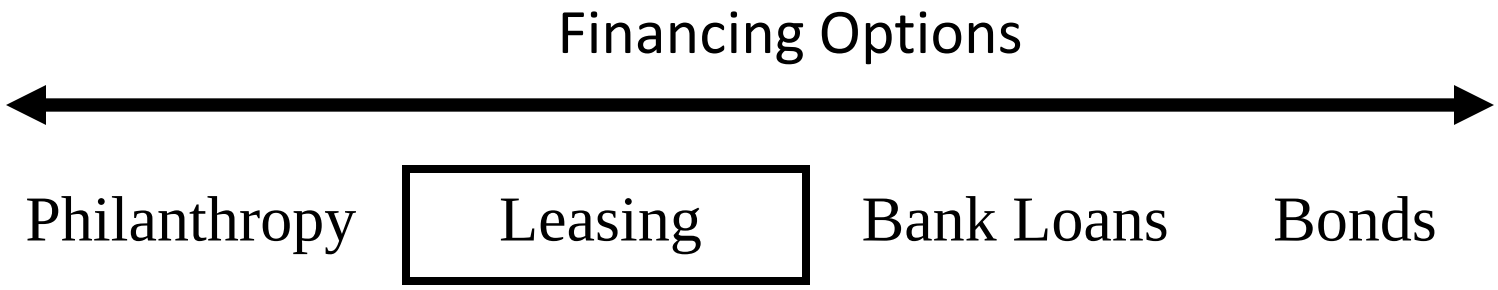
Philanthropy Leasing Bank Loans Bonds

Facility Financing



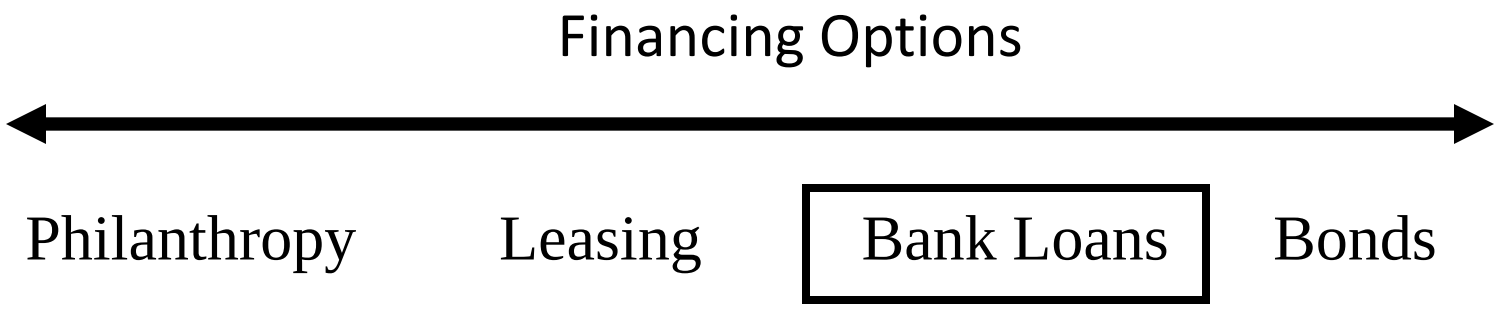
- Easier to leverage existing program donors; tend to be individuals.
- Philanthropy dollars increasingly being leveraged through intermediary vehicles like non-profit real estate holding companies.
- Usually not enough, but can get you to finish line.

Facility Financing



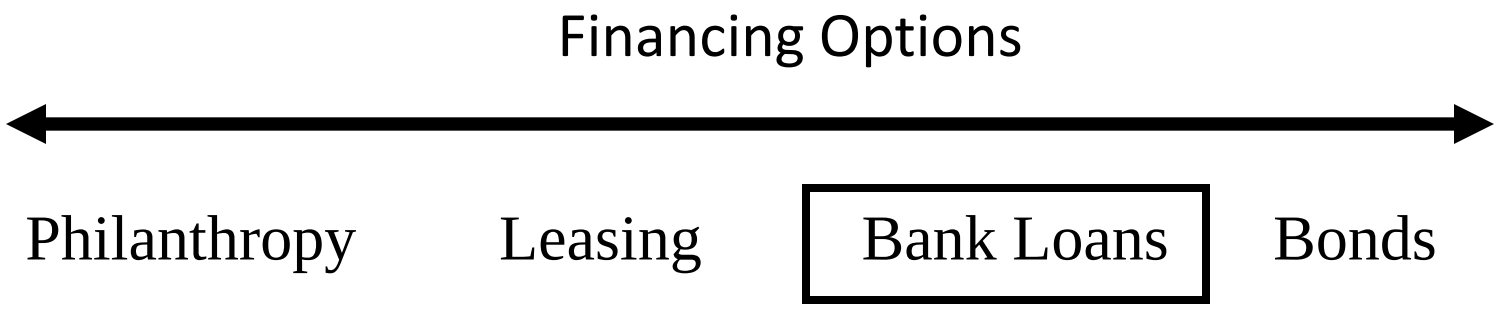
- Most common option today.
- Can be high cost: 12-25% of budget.
- Experienced developers have better chance of financing leasehold improvements than a single school.
- Modular classrooms.
- Landlord relationships can be unpleasant.

Facility Financing



- Community lenders increasingly comfortable.
- Syndicates and pools increasing capital availability.
- Loan to value challenges – equity, appraisals.
- Term and amortization.
- Continued development of take-out market is critical.

Facility Financing



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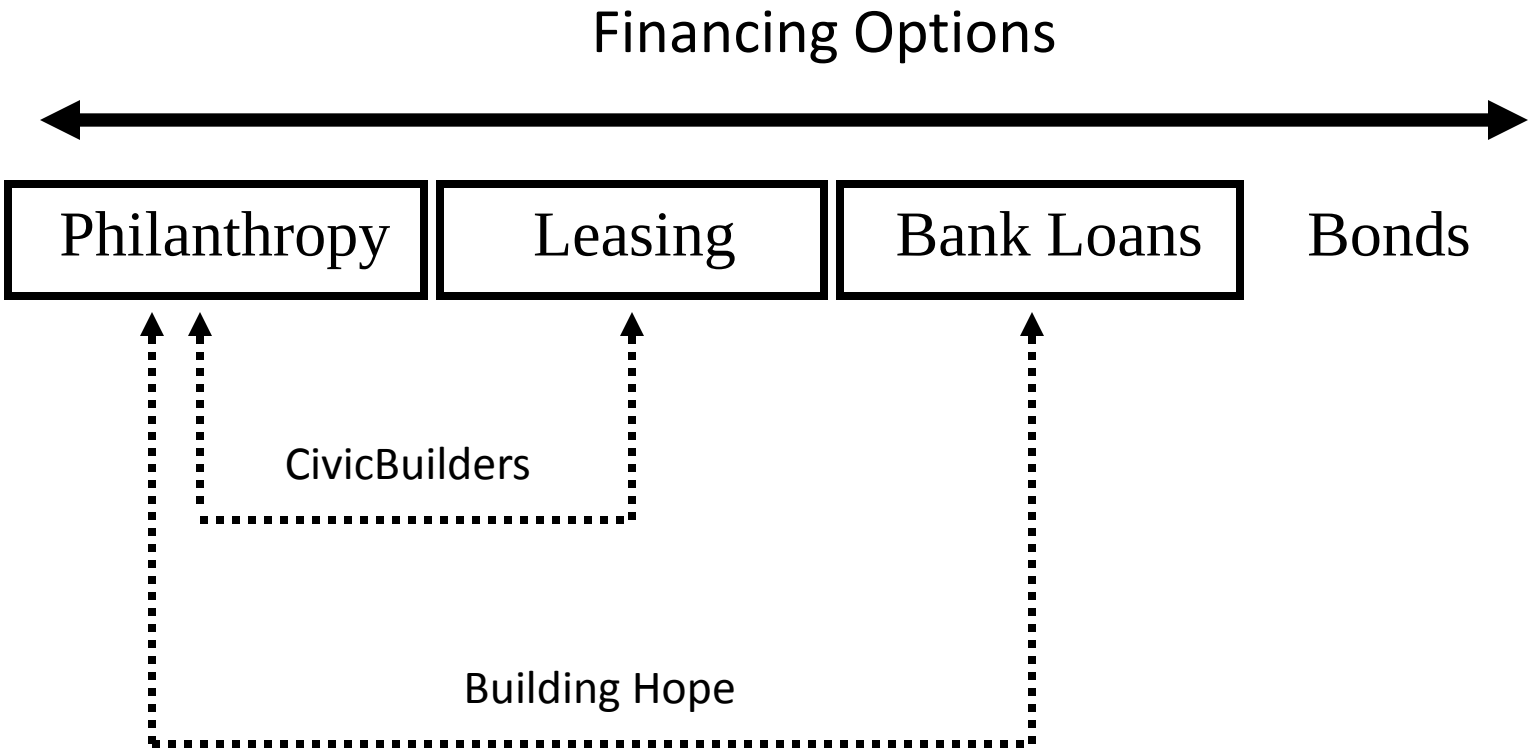
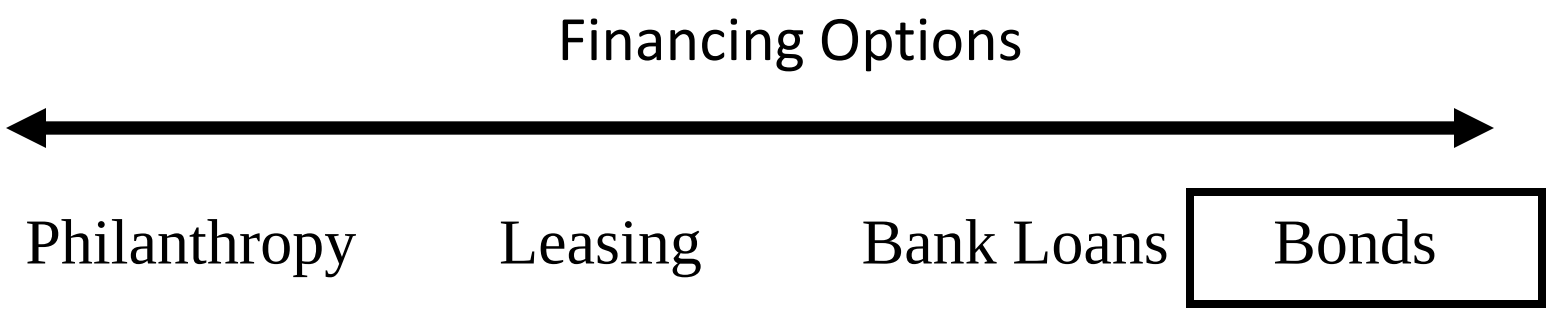


Facility Financing



- Best long term solution under right market conditions.
- 100%+ of project costs.
- Fixed rate vs. variable.
- Alternative: New Markets Tax Credits (complicated but good when allocation, 10% match, and investors are all known).

Facility Financing

Facilities Financing Challenge

- Most charter schools must find their own home.
- Staff often lack expertise in project development.
- Charter schools often compete for limited local facility resources and programs.
- Average annual facilities expense is between 15 and 20% of a charter school's budget.

Facility Financing

Obstacles to Obtaining Loans

Charter schools are seen as high-risk credits

- Short term of charter contracts
- Dependent on academic achievement for financial success
- Enrollment drives revenues
- Politically vulnerable
- Low per-pupil payments
- Slow growth patterns
- Lack of collateral

Facility Financing

What Lenders Want

Lenders want to be repaid. They look for:

- Strong school leader, management and board
- Status of charter renewal
- Strong academic performance
- Strong enrollment
- Waiting list and recruitment plan
- Relationship with authorizer
- Community support
- Consistent operating history, clear budget and projections
- Demonstrable fundraising success

Facility Financing

Credit Enhancement

Money set aside as repayment if a loan is in default.

- Can be a guaranty or reserve
- Usually has an annual fee and burn-off provision

Credit-enhancers look for the same things as lenders, but usually have a higher capacity for risk.

Facility Financing

Louisiana Charter School Facilities Landscape

- Type 3, 4 and 5 Charter Schools in New Orleans entitled to a building with charter contract – currently no lease payments.
- Type 1 and 2 Charter Schools (New Orleans and rest of the state) must find and pay for their own facilities.
- All charter schools face challenges of space management/utilization, long term maintenance and capital repair and long term and related expenses.
- Most charter school operators lack experience and expertise in these areas.

Facility Financing

New Orleans Public Schools

- Pre-Katrina and pre-state takeover, the Orleans Parish School Board utilized 128 properties all in varying state of disrepair (OPSB owns additional properties that were unoccupied due to declining enrollment or had been condemned and were deemed unsafe for students).

- Public student enrollment – approx. 36,000. Projected to increase to a maximum of 50,000 over next five years depending on a variety of factors.

- School Facility Master Plan - 85 buildings.

- FEMA lump sum settlement of $1.8 billion.

Facility Financing

New Orleans Public Schools

Access to public school buildings

- Type 3, 4, 5 charter schools are entitled to a building when the charter is granted.
- Schools have little influence over where, what size, condition, etc.
- RSD controls 70% of all NOPS buildings for the 'Recovery Period'.
- OPSB holds title to all properties.
- RSD – one year leases.
- OPSB – leases match charter contract term.

Charter School Facility Development & Financing

Information Session

June 27, 2012

Agenda

- Introduction
- Facility Development Process
- Facility Financing

➔ Louisiana Charter School Facility Landscape

- Louisiana Case Studies

4 private public non-profit th sector solutions inc.

Louisiana Landscape

Informal and unofficial survey of LA Type 2s suggests very limited statewide experience in charter school development.

Charter	Contact	Notes
Avoyelles Public Charter School	Kim Gagnard, Assistant Director	Developed their own facility
Belle Chasse Academy	Juli Braatz, Volunteer Coordinator	Developed their own facility
D'Arbonne Woods Charter School	Laura Williams	Use previously existing facility. Currently raising funds to build own facility.
Delhi Charter School	Meredith	Developed their own facility
Glencoe Charter School	Shannon Pontiff, Secretary	Developed 1 facility and use 1 previously existing facility.
International School of Louisiana	Michelle Gomez, Office Assistant	Use previously existing facility
International High School of New Orleans	Patricia Adams, Administrative Assistant	Use previously existing facility
Lake Charles Academy	Nicole	Currently using a previously existing facility but building new facility to be used in August '12.
Louisiana Connections Academy	Caroline Wood, Principal	Virtual School. Use rented office space.
Louisiana Virtual Charter Academy	Perry Daniel, School Leader	Virtual School. Use rented office space
Lycee Francais de la Nouvelle Orleans	Jill Otis, School Leader	Use previously existing facility
Madison Preparatory Academy	Alisa Welsh	Use previously existing facility, but have added on with new buildings
Milestone SABIS Academy	Ms. Gallo, Secretary	Use previously existing facility
New Orleans Military/Maritime Academy	Cecilia Garcia, Principal	Use previously existing facility, hoping to have own facility for June '13
New Vision Learning Academy	Used a Financial Statement found onlin	Use previously existing facility
The MAX Charter School	Linda Musson, Director	Developed their own facility
Informal survey of 16 Type 2 charter schools on the charter school contact list provided by the Louisiana Department of Education.		
1. There are 4 schools using only a facility they developed		
2. There are 2 schools who use a combination of previously existing facilities and facilities they have developed since opening		
3. There are 10 schools that use a previously existing facility. Of these 10, three of the schools stated that they are working towards developing their own facility.		
***Two of these schools are virtual schools using rented office space for operations.**		

Louisiana Landscape

Illustrative Operating Costs for Budgeting Purposes (in addition to rent/debt)

New School Budget Items

Disclaimer: This information reflects the best estimates available at the time of development based on historic costs to RSD. All costs should be negotiated with provider. All budget items may not be listed.

Example: 100,000 Sq. Ft. School, 500 students, 240 school days per year (year-round)					
Budget Item	**Rate**	**Units**	**Quantity**	**Cost per year**	**Notes**
Utilities (Elect and Gas)	$1.25 - $1.50	Per Sq. Ft./Yr	100,000 sq. ft.	$125,000 - $150,000	Dependent on hours bldg is occupied. Typical scheduled use is 6:00 AM - 6:00 PM M-F, 6:00 AM - 12:00 noon Sat. Addn'l hours bldg is occupied will cost more in utilities
HVAC maintenance - Option 1: HVAC Preventive Maintenance only (Repair purchased on as-needed basis)	$0.35	Per Sq. Ft./Yr	100,000 sq. ft.	$35,000	For new schools, this is the recommended option for first year as all systems will still be in warranty. Piggy-back on RSD contrat is available
HVAC maintenance - Option 2: HVAC Prev Maint + all repairs (up to $5000 each repair)	$0.60	Per Sq. Ft./Yr	100,000 sq. ft.	$60,000	Piggy-back on RSD contract is available
Custodial services	$1.33	Per Sq. Ft./Yr	100,000 sq. ft.	$133,000	Piggy-back on RSD contract is available
Grass cutting	$200.00	Per month for two cuts	12	$2,400	
Security monitoring (Sonitrol)	$125 - $500	Per month	12 months	$1,500 - $6,000	
Security Guards	$25.00	Per hour per guard	12 hour per day x 240 days	$72,000	Per guard for normal school hours. Does not include rates for "after hours" events, like nights or weekends.
Fire alarm monitoring	$25.00	Per month	12 months	$300	
Fire alarm maintenance	$340.00	Per month	12 months	$4,080	Code requirement. Fire alarm maintenance.
Pest control	$0.03	Per Sq. Ft./Yr	100,000 sq. ft.	$3,000	Pest control service must be contracted by school operator
Dumpsters	$336.00	Per month	12 months	$4,032	2 dumpsters for trash/garbage emptied twice per week
Fire extinguishers inspection	$11.00	Per extinguisher-per year	100	$1,100	Code requirement. Annual inspection, re-charging, and certification
Kitchen hood fire suppression inspection	$2,500.00	Per year	1	$2,500	Code requirement. Annual inspection, re-charging, and certification

January 19, 2012 Page 1

Louisiana Landscape

Illustrative Operating Costs for Budgeting Purposes (in addition to rent/debt)

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Example: 100,000 Sq. Ft. School, 500 students, 240 school days per year (year-round)					
Budget Item	**Rate**	**Units**	**Quantity**	**Cost per year**	**Notes**
Sprinkler system inspection	$1,500.00	Per year	1	$1,500	Code requirement. Annual inspection and certification
Elevator inspection	$1,200.00	Per year	1	$1,200	Code requirement. Annual inspection and certification
Internet provider (Cox ?)					Negotiated by school operator. Cost will be determined based on band-width required.
Kaboom playground equipment	$7,500.00	Ea	1	$7,500	One time cost for $85k - $100k playground
Food Service					
Breakfast	$1.79	Per student per meal	500 students x 240 days	$214,800	Some food cost may be reimbursed
Lunch	$2.85	Per student per meal	500 students x 240 days	$342,000	Some food cost may be reimbursed
Snack	$0.75	Per student per meal	500 students x 240 days	$90,000	Some food cost may be reimbursed
Clean grease traps	$700.00	Per trap-per year	1	$700	Cost includes cleaning trap twice per year. Larger schools may have 2 grease traps

Charter School Facility Development & Financing

Information Session

June 27, 2012

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- Introduction
- Facility Development Process
- Facility Financing
- Louisiana Charter School Facility Landscape

➔ Louisiana Case Studies

4th sector solutions inc.
private
public
non-profit

Case Study #1 – Modular Campus

Type 1 Charter School – Rural Louisiana
Enrollment Plan

Grade	SY 2011-12	SY 2012-13	SY 2013-14	SY 2014-15	SY 2015-16
7	55	55	55	55	55
8	55	55	55	55	55
9		55	55	55	55
10			55	55	55
11				55	55
12					55
Total	110	165	220	275	330

Case Study #1 – RFP for Modular Vendor

Description of Work

a. The temporary modular classroom building is to be located….

b. Respondents must be thoroughly familiar with code and zoning requirements for the project. This must be evidenced in respondent proposals.

c. Respondent proposals must include site design, permits and entitlements, and construction required for the installation of a modular classroom building on the site. The modular classroom building must be ready for classes no later than….

d. This RFP is solely for general contractor or construction project management services for the installation of a modular classroom building. One or more solicitations will be issued for subsequent phases for the development for one or more permanent buildings. ____ makes no representations that the successful bidder under this solicitation will be awarded contracts for future phases of the campus development.

e. Respondents are required to evaluate existing site and building utility services for connecting to the modular building as part of the bid.

f. The site design is to incorporate the following design elements:

- Site analysis and design
- Coordination of data-voice cabling infrastructure and patch panels as required
- Solid skirting along the entire perimeter
- Covered walkway and ramps leading to / from the existing building
- Security and life safety systems tied in to the existing SCCS security system.
- Sitework and exterior lighting

2. All bidders must include a detailed breakout and proposed schedule of values to include:

General Conditions, project management and supervisory staff assigned to the project during the design and construction.

GC Fee for the Work, GC fee for Changes in the Work and proposed subcontractor mark-ups for changes in the Work.

Markup for Work performed by the Contractor's own forces *(fill in OH&P mark-up %)*

Markup for Work performed by a Subcontractor's own forces *(fill in OH&P mark up %)*

Markup for Work performed by sub-subcontractor, the Subcontractor *(fill in OH&P mark up %) + (Contractor markup %)*

Proof of and / or a Certificate of Insurance in accordance with the required coverage's listed in the solicitation.

3. Schedule

All bidders shall include a project schedule to enable teacher move-in to commence no later than ____ and commencement of classes no later than _____.

4. Form of Contract

The Owner intends to use a standard AIA A101 or A111 Agreement. The bidder may be either a general contractor, construction project manager, or the modular manufacturer. Exceptions to the general terms in the Contract may be offered by bidders; however, as time is of the essence the Owner will consider bidders' qualifications to the A101 or A111 sparingly and reserves the right to deem all exceptions as non-responsive.

Bidders may list exceptions to the contract terms for purposes of the bid, however the Owner is under no obligation to accept any exceptions or qualifications to the bid documents. The Owner may deem bid proposals as non-responsive without notification to bidders subject to the qualifications listed by the bidder.

5. Proposals

a. Qualification Statement Requirements:

The firm shall provide the following information organized as follows in their qualification statement:

i. Résumés for full time team members to be dedicated to this project, mobilization plan for project execution and individual experience on similar projects and similar fast-track schedule.

ii. A list and history of successful performance in delivery of similar projects under similar delivery schedules.

b. Proposal Requirements:

Project work plan, logistics, quality control as well as traffic control plans as required for approval of the building permit. The successful bidder shall be responsible for preparation and submission of the traffic control plan if required as well as for any public space permits as required. The current SCCS building will be occupied during portions of the work and the respondents' work plan must include plan to mitigate disturbance

The Owner's development schedule is based on the Owner's assumptions for delivery of modular classrooms for August 2012 school term. Respondents shall develop their own best schedule and scope assumptions for presentation to the Owner.

Proposed Schedule of Values and the not-to-exceed Project Budget for:

- site design
- sitework
- construction general conditions
- contractor's fee

Proposed Change order mark-up

The Owner reserves the right to negotiate with the successful bidder after selection. Time is of the essence for the Work. Any unused allowances included final price upon completion of the work shall be regarded as savings and all savings shall accrue 100% to the Owner. There will be no shared savings.

Case Study #1 – Modular Campus

RFP Results

	Vendor A		Vendor B		Vendor C
Dimensions	124' x 68'		112' x60'		116x64
Total Sq Feet	8432		6720		7424
Delivery	$8,073		$5,800		$11,700
Installation	$24,000		$20,885		$12,960
Teardown	$14,393		$5,800		$9,476
Return	$7,612		$17,225		$11,700
Monthly rate * 24 months	$68,208		$76,800		$228,600
Discounts	-$5,684		$0		$0
TOTAL	**$122,286**		**$126,510**		**$274,436**
Price per sq ft	$15		$19		$37

If you only called vendor C, you would be in trouble.

Case Study #1 – Modular Campus

School secured local philanthropy for initial set-up costs and garnered significant local donations in-kind for services, resulting in significant savings vs. concept budget.

Year	1	2	3	4	5
Enrollment	110	165	220	275	330
Initial Concept Budget					
Classrooms needed	8	10	12	14	16
Rental cost @ $7,530/yr	60,240	75,300	90,360	105,420	120,480
Set-up cost @$4,059/new CR	32,472	8,118	8,118	8,118	8,118
Site-prep/design @$100K + $10K/new CR	180,000	20,000	20,000	20,000	20,000
Total cost	272,712	103,418	118,478	133,538	148,598
cumulative	272,712	376,130	494,608	628,146	776,744
Actual Expense					
Classrooms	8	16	16	16	16
Rental cost	32,400	64,800	64,800	64,800	64,800
Set-up cost	32,000	32,000	-	-	-
Site-prep/design	80,000	59,000	-	-	-
Total cost	144,400	155,800	64,800	64,800	64,800
cumulative	144,400	300,200	365,000	429,800	494,600
Savings	128,312	(52,382)	53,678	68,738	83,798

Case Study #1 – Modular Campus

Modular school takeaways

- Budget for lease, install & delivery, site prep/set—up, and accrue for tear-down costs.
- Get multiple quotes (including used units) and negotiate.
- Planning and zoning approvals can kill you.
- Lease payments should start from occupancy or at least completion, not from delivery.
- Project manager needed unless board has construction experience and time.

Case Study #2 – Acquisition and Renovation

Type 1 Urban School Outside N.O.

Enrollment Plan

Two high schools @ 125 students per grade, one grade per year

		2010-11	2011-12	2012-13	2013-14
School 1	**9th**	125	125	125	125
	10th		125	125	125
	11th			125	125
	12th				125
School 2	**9th**	125	125	125	125
	10th		125	125	125
	11th			125	125
	12th				125
Total		**250**	**500**	**750**	**1000**

Case Study #2 – Acquisition and Renovation

Problem:

- Signed lease for unimproved building 22K sf @ $9 psf one year with $3.4MM purchase option on 55K sf.
- Got contractor to perform $600K (~$30 psf) of improvements in 3 months based on promise of financing.
- School opened but financing fell-through.

➔ No funds to pay, no ability to grow.

Case Study #2 – Acquisition and Renovation

Solution:

- Looked for NMTC but no takers - credit not available immediately, school had no track record.
- Found a non-profit developer with REIT partner to do sale and leaseback including improvements.
- 10.5% cost of money.
- Option to buy in year 7.

Case Study #2 – Acquisition and Renovation

How Much Does it Cost?

Project cost - $6.3MM

Property Acquisition	$	3,400,000
Improvements - includes Phase 1	$	2,000,000
Soft Costs	$	100,000
Contingency	$	150,000
Capitalized Costs - Construction Interest	$	200,000
Development Fee - 7.5%	$	438,750
Total Project Costs to CSDC	**$**	**6,288,750**

Rent @ 10.5% = $660,319

Benchmarks:

@ 54,975 ft/ = $12 psf

@ 475 students = $1,390 pp

= 11.3% of revenue

Case Study #2 – Acquisition and Renovation

Advantages

- Ability to pay for existing improvements as well as Phase 2.
- Compares favorably to landlord average rent of $10.40 psf excluding any improvements.
- Can acquire property in year 7.
- Potential to seek property tax exemption (non-profit sub-landlord) and also capitalize rent from Jan-Jun 2011 if desired.

Risks/Concerns

- Expensive relative to NMTC financing (but none available given timeline).
- Need full enrollment (475 students) to make economics reasonable.
- Expansion to second facility may be complicated.

Case Study – Acquisition and Renovation

Today:

Resources

- National Clearinghouse for Educational Facilities
- 21st Century School Fund
- The Answer Key – NCB Capital Impact (forms for budgeting, timelines, etc.)
- LISC – catalog of all charter facility lenders/financiers updated regularly
- USDOE credit enhancement program – Office of Innovation and Improvement
- Charter School Tools www.charterschooltools.org

Charter School Facility Development & Financing

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