Facilities 101
Planning for and paying for your charter school facility

Kathleen Padian
New Orleans School Facility Project
www.nosfp.org
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
Facilities Process Overview

A Road Map to High Quality Public Charter School Facilities

MODULE 1
Temporary Spaces
How do you secure short-term lease space?
- Know where to look
- Assess the alternatives
- Determine what you can afford
- Avoid common mistakes

MODULE 2
Concept
How do you define your school facility needs?
- Assess the need
- Visioning
- Initial feasibility
- Develop the Educational Facilities Plan

MODULE 3
Predevelopment
How do you create a high quality space?
- Build a strong team
- Conduct a thorough site selection process
- Select the site
- Lease/acquire the site

MODULE 4
Financing
What are the key indicators for quality loans?
- Understand the environment
- The Five "C's"
- Financial 1-2-3's
- Student "Ramp-Up"

MODULE 5
Construction Management
How do you manage a quality construction project?
- Define roles
- Procure project management, design, and construction professionals
- Monitor progress
- Move in/occupancy
- Manage the punch list

MODULE 6
Politics & Fundraising
What role do politics play, and what are the keys to fundraising success?

21st Century School Fund
Charter Boards are Responsible for:

Charter School…

People

Place
Location and Facilities

Programs
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.
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
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.
Our building was fashioned from an old lumber and hardware store that had been vacant for several years.

Classrooms were created, offices and foyers incorporated and the beauty is truly evident.

The curves, the lines, the clean open feel resonates throughout, making everyone feel welcome and comfortable with enough hint of business/education to keep students engaged.  *Jerome, Student*
1. **Develop an Overall Strategy and Vision for District Buildings/Real Estate**
   - Designate areas of high need
   - Identify buildings specifically for charter use as part of strategy

2. **Develop a Transparent Process**
   - RFP or other process
   - Term sheets, lease/purchase agreements, shared use agreements, etc.
   - Charters should be prepared to negotiate and navigate unchartered territory—may need to drive the process

3. **Negotiate Favorable Terms**
   - Long-term leases, sale and/or lease-to-sell options
   - Allow charters to contract their own services and vendors
   - Charters to have sole use or equitable shared use arrangements
   - Specify district’s responsibility on facility improvements and upgrades

4. **Community Input and Process is Critical to success**
Example from Chicago

- Lease for $1/year from CPS
- Charter school has sole use of the building
- Does not pay CPS for services (e.g., maintenance, etc.)
- Does not receive per pupil facility supplement from CPS
- CPS paid for a portion of building renovations and school paid for a portion
- Short-term lease (concurrent with charter term)
- Extensive community input and outreach involved

Noble Network of Charter Schools
UIC Campus, Chicago

New Orleans School Facility Project
14th Street NW – 2nd floor above CVS, metro accessible, Columbia Heights neighborhood, 170 students
12,500 sq/ ft Classrooms, offices, large common area for meetings or assemblies. No parking, no outdoor space
Initial investment -- $0 (re-use of an existing charter school site)
Lease terms negotiated with building owner
Turnover success – currently housing third charter school at this site.
Michigan Park – 2[^nd] Incubator site

- Michigan Park – property owned by church, located in Ward 5 (Brookland neighborhood)
- Initial investment - $1,000,000 renovation and installation of playground
- 8,650 sq/ft, classrooms, offices, playground, capacity 140 students

Turnover – Potomac Lighthouse Academy occupied site in 2006, 2007 SY’s while working on long-term facility solution.

Second tenant – ALTA – moved in prior to third year of charter, signed three year lease. Two years later, ALTA charter revoked.
Office space renovation - incubator #3

3029 S Street – NW DC – Ward Two (downtown location, Metro accessible, no outdoor space)
Converted office space – 7,600 sq/ ft classrooms, kitchen and staff offices, capacity - 140 students
Initial investment - $620,000 for build out

Turnover : First tenant was expansion campus for E. L Haynes PCS. The use of this site allowed the school to continue to grow its enrollment while completing financing and construction of brand new facility. Occupied for one year. Second tenant (City Collegiate Charter) signed lease for 2 years
There are many advantages to utilizing existing public school buildings for incubator/charter school campuses

- Existing locations typically in neighborhoods – accessibility for students
- Size of classrooms, cafeterias, auditorium, gymnasium, outdoor space for recreation and parking
- Lease terms
- Investment of public dollars back into public facilities (keep inventory of school buildings for original intent)

A few drawbacks
- Condition of buildings – most need extensive renovation
- Code compliance (ADA, fire, life safety) - outdated
- Difficult to attain traditional financing on lease improvements
Lease Structure for DCPS sites

Master Lease between City (Office of Property Management) or DCPS and Charter School Incubator Initiative – 20 year term.

Sublease or agreement between CSII and tenant charter schools - 1 to 5 year terms

CSII collects actual Facility Allowance earned by tenant school, less 10%, based on enrollment each school year after count day (in October).

All costs (debt service for renovations, maintenance, janitorial, utilities, etc.) are deducted each year and if surplus is left at end of school year, that amount is paid to the City as rent.
Sample Projects – Draper ES

2008 Co-location; K-6 DCPS elementary school on first floor and portion of second (120 students) and new expanded middle (4 – 8) charter school occupied third floor and other half of second (68 students first year)

Shared use of common spaces (cafeteria, health suite, auditorium, art room, library, staff lounge).

Building is 60,00 sq/ft – incubator lease for 17,000 sq/ft (does not include common areas)

2009 – DCPS school closed in June due to extremely low enrollment (fewer than 100 students). New charter high school to occupy first floor in August. DCPS/charter co-location has morphed to charter/charter co-location
Draper Incubator Campus

BEFORE
“Library closed for renovation” (Sign had been posted for over 10 years)

AFTER
Investment of $1.2 million – new doors, ceiling tiles, flooring, paint, removed blackboards, installed whiteboards, cost of new roof shared between charter and DCPS
Bening Incubator Campus – Before and After Renovation
DCPS – open-space concept school included three massive learning centers w/out walls

Charter incubator renovation – 13 new classrooms, school wide code upgrade – ADA, fire, life, safety – and compliance

New roof, fire system, front entrance hardscape and landscape, HVAC new ductwork, wireless IT throughout, all new lighting, walls, flooring, etc.

Cost: $3 million
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 Planning Process

- Step 1: Build an in-house facility planning team
- Step 2: Assess facility problems and capacity
- Step 3: Establish a vision for the facility
- Step 4: Bring in planning and design consultants
- Step 5: Develop educational specifications
- Step 6: Evaluate your capacity to implement the plan
Re-Cap

- You have a facility lead and team
- You understand your challenges and assets
- You know where you want to end up
Define Amount of Space Needed

- Current and planned enrollment
- Current and planned staffing
- Identify specific program, administrative and operational spaces and sizes
### Space Planning Template

**SAVOY ELEMENTARY SCHOOL**  

**PROGRAM SUMMARY - SCHEME 1/SCHEME 2**

<table>
<thead>
<tr>
<th>Space Category</th>
<th>Master Plan</th>
<th>Proposed Net Area</th>
<th>Net Change</th>
<th>Scheme 1</th>
<th>Proposed Net Area</th>
<th>Net Change</th>
<th>Scheme 2</th>
<th>Proposed Net Area</th>
<th>Net Change</th>
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<tbody>
<tr>
<td>Academic Core</td>
<td>25,847</td>
<td>21,850</td>
<td>-3,997</td>
<td>24,918</td>
<td>24,918</td>
<td>-929</td>
<td>24,918</td>
<td>24,918</td>
<td>-929</td>
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<td>Media Center</td>
<td>1,191</td>
<td>2,520</td>
<td>1,329</td>
<td>2,505</td>
<td>2,520</td>
<td>1,329</td>
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<tr>
<td>Visual Arts</td>
<td>695</td>
<td>1,325</td>
<td>630</td>
<td>1,000</td>
<td>1,000</td>
<td>305</td>
<td>1,000</td>
<td>1,000</td>
<td>305</td>
</tr>
<tr>
<td>Music</td>
<td>695</td>
<td>1,050</td>
<td>355</td>
<td>1,050</td>
<td>1,050</td>
<td>355</td>
<td>1,050</td>
<td>1,050</td>
<td>355</td>
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<tr>
<td>Administrative</td>
<td>2,146</td>
<td>1,955</td>
<td>-191</td>
<td>3,285</td>
<td>3,285</td>
<td>1,139</td>
<td>3,285</td>
<td>3,285</td>
<td>1,139</td>
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<tr>
<td>Student Dining &amp; Food Services</td>
<td>6,436</td>
<td>4,950</td>
<td>-1,539</td>
<td>4,240</td>
<td>4,240</td>
<td>-2,196</td>
<td>4,240</td>
<td>4,240</td>
<td>-2,196</td>
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<tr>
<td>Multi-Purpose Shared Activity Areas</td>
<td>1,533</td>
<td>1,533</td>
<td>0</td>
<td>1,533</td>
<td>1,533</td>
<td>0</td>
<td>1,533</td>
<td>1,533</td>
<td>0</td>
</tr>
<tr>
<td>Engineering &amp; Custodial Services</td>
<td>1,797</td>
<td>600</td>
<td>-1,197</td>
<td>600</td>
<td>600</td>
<td>-1,197</td>
<td>600</td>
<td>600</td>
<td>-1,197</td>
</tr>
</tbody>
</table>

**Existing Elementary School Facility**  44,570 nsf  

| Net-to-Gross Multiplier: | 1.38 |
| Existing Gross Floor Area: | 61,578 gsf |

**JOINT USE FACILITY**

<table>
<thead>
<tr>
<th>Room Name</th>
<th>Master Plan</th>
<th>Proposed Net Area</th>
<th>Net Change</th>
<th>Scheme 1</th>
<th>Proposed Net Area</th>
<th>Net Change</th>
<th>Scheme 2</th>
<th>Proposed Net Area</th>
<th>Net Change</th>
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<tbody>
<tr>
<td>Physical Education</td>
<td>-</td>
<td>14,500</td>
<td>14,500</td>
<td>13,754</td>
<td>13,754</td>
<td>16,230</td>
<td>16,230</td>
<td>16,230</td>
<td>16,230</td>
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<tr>
<td>Multi-Purpose Shared Activity Areas</td>
<td>1,533</td>
<td>2,312</td>
<td>3,120</td>
<td>3,120</td>
<td>3,120</td>
<td>1,587</td>
<td>2,945</td>
<td>1,412</td>
<td></td>
</tr>
<tr>
<td>Proposed Addition (nsf)</td>
<td>16,750</td>
<td>17,620</td>
<td>16,874</td>
<td>15,341</td>
<td>15,341</td>
<td>19,175</td>
<td>17,642</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed Gross Area (Net x 1.38)</td>
<td>24,316</td>
<td>21,171</td>
<td>24,346</td>
<td>21,171</td>
<td>24,346</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL PROPOSED GSF:** 79,963 gsf  

| Parking                            | 41 Surface  | 36 Underground |

*Source: Savoy Educational Specifications; October 2006, 21st Century School Fund.*
Define Individual Space Requirements

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

<table>
<thead>
<tr>
<th>Space Description</th>
<th>Movable</th>
<th>Mechanical</th>
<th>Electrical/Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Space Category:</strong> Core Academic</td>
<td>Work tables and stools</td>
<td>HVAC: No special req.</td>
<td><strong>Light Level:</strong> 50 footcandles</td>
</tr>
<tr>
<td><strong>Room:</strong> Science Center. May be adjacent to Green Roof Area</td>
<td>Teacher Demonstration Table</td>
<td><strong>Fixtures:</strong> Recessed fluorescent fixtures</td>
<td><strong>Fixtures:</strong> Recessed fluorescent fixtures</td>
</tr>
<tr>
<td><strong>Users:</strong> up to 25 students and 3 staff members per room</td>
<td>Teacher wardrobe unit - lockable</td>
<td><strong>Power:</strong> 4 double outlets evenly distributed</td>
<td><strong>Power:</strong> 4 double outlets evenly distributed</td>
</tr>
<tr>
<td><strong>Size SF:</strong> 1,400 nsf</td>
<td>Teacher desk w/ chair, 4 drawer file cabinet</td>
<td><strong>Telephone:</strong> Intercom jack connection</td>
<td><strong>Telephone:</strong> Intercom jack connection</td>
</tr>
<tr>
<td><strong>Finishes:</strong></td>
<td>Metal cabinets for storage</td>
<td><strong>TV:</strong> Cable/MATV port at TV bracket</td>
<td><strong>Computer:</strong> Network outlet at computer locations</td>
</tr>
<tr>
<td><strong>Floor:</strong> VCT</td>
<td><strong>Electrical/Technology:</strong></td>
<td><strong>Computer:</strong> Network outlet at computer locations</td>
<td><strong>Electrical/Technology:</strong></td>
</tr>
<tr>
<td><strong>Wall:</strong> Painted GWB, existing painted CMU</td>
<td><strong>Sound Isolation (STC-37):</strong></td>
<td><strong>No of Computers:</strong> 4 workstations</td>
<td><strong>Sound Isolation (STC-37):</strong></td>
</tr>
<tr>
<td><strong>Ceiling:</strong> ACP</td>
<td></td>
<td><strong>No of Computers:</strong> 4 workstations</td>
<td></td>
</tr>
</tbody>
</table>
Step 6: Feasibility

- Use estimate of space requirements from Educational Specifications
  - Estimate cost of lease or improvements
    - Total GSF X lease per SF or building improvements per SF
- Identify current funds available for occupancy costs
- Evaluate the gap between estimated cost and funds available
# Feasibility Sample

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enrollment</strong></td>
<td>100</td>
<td>125</td>
<td>150</td>
<td>200</td>
<td>275</td>
</tr>
<tr>
<td><strong>Sq Ft per Student</strong></td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>135</td>
<td>135</td>
</tr>
<tr>
<td><strong>Total Sq Ft</strong></td>
<td>15,000</td>
<td>18,750</td>
<td>22,500</td>
<td>27,000</td>
<td>37,125</td>
</tr>
<tr>
<td><strong>Lease $ per Sq Ft</strong></td>
<td>$15</td>
<td>$15</td>
<td>$18</td>
<td>$18</td>
<td>$20</td>
</tr>
<tr>
<td><strong>Total Lease Cost</strong></td>
<td>$225k</td>
<td>$281k</td>
<td>$405k</td>
<td>$486k</td>
<td>$743k</td>
</tr>
<tr>
<td><strong>Annual Lease $/Student</strong></td>
<td>$2250</td>
<td>$2250</td>
<td>$2700</td>
<td>$2430</td>
<td>$2700</td>
</tr>
</tbody>
</table>
Education Facilities Planning: 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
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 will have the greatest educational payoff.
Due Diligence Process (3 months, including time to negotiate the purchase contract)

Purchase Contract to Closing (9 months total, 6 to execute, 3 to close)

Building Construction (16-18 months)

Site Search (3-4 months)

Charter School Partners with a Developer

Building Acquisition (1 day)

Project/Renovation Complete

Building Design and Bidding (11-12 months)

SCHOOL OPENS

Average Total Time: 3 years
Funding your school facility

Capital Campaign – grants, donations
Donated building or land
Financing Options
  - Credit Enhancement
  - Bonds
  - Commercial Lenders (for profit and non-profit)
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.
Grants vs. Loans

Grant funders love to be part of something great

Lenders want to be part of something safe
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
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
What Lenders Want

- Understanding of basic project numbers
  - Total Development Costs = hard + soft costs
  - Annual Debt Service (ADS) = annual loan payments
  - Net Operating Income (NOI) = income after debt service
  - Debt Service Coverage Ratio (DSCR) = NOI/ADS

- Strong financial track record and planning
  - Standard five-year projected operating budget
  - Benchmarks
### What Lenders Want

General benchmarks for a sound budget—with flexibility

<table>
<thead>
<tr>
<th>Item</th>
<th>% of total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities*</td>
<td>12%-15%</td>
</tr>
<tr>
<td>Net Income</td>
<td>3%-5%</td>
</tr>
<tr>
<td>Instructional Expenses</td>
<td>50%-65%</td>
</tr>
<tr>
<td>Admin Expenses</td>
<td>10%-12%</td>
</tr>
</tbody>
</table>

*Facilities as % Per Pupil Revenues: 15-20%
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
HISTORIC RENOVATION AND RE-USE EXAMPLE

• School opened in 2001 in leased space owned by a church

• Purchased Nichols School building from the City in 2003

• Completed renovation -2005

• 360 students grades 9 – 12

• Law-themed, college-prep curriculum

The Old Nichols Avenue School In 2003 – Anacostia neighborhood
Thurgood Marshall Academy PCS
Acquisition and Pre-Construction

Equity:
City Build grant $1 million
Federal appropriation $1 million
Building from District Government with requirements for working on redevelopment of entire campus
$1 million QZAB to be repaid by city

Loans:
Direct Loan (SEO) $2 million
Low interest loan (Building Hope) $2 million
Construction loan (Bank of America) $7 million

Re-financing – long term
New Market Tax Credit transaction reduced cost of permanent financing by nearly 40%
- Leveraged loan from PNC Bank
- PNC Investor
Revenue bond from District
Thurgood Marshall Academy
Public Charter High School

- Renovated school fall 2005—added art, science, music and library, now 64,000 square feet at $200 per square foot in construction cost
- Major restoration and reuse of site, structure and elements of interior detail.
Thurgood Marshall Academy

Main Entry
1908 Building

Library – 2005 Addition
Renovation and construction of TMA PCS led to renovation of Savoy elementary school (adjacent property) by DCPS – partnership between charter school and DCPS to create a community health and learning center including a gymnasium to be shared by charter high school and DCPS elementary school. Partners shared in cost, design, and use. Opened in 2009.
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).

Current 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
Access to public school buildings

- All Type 3, 4, 5 charter schools - 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
School Facility Master Plan

- Based on demographic study completed in 2007 (supposed to be updated every 2 years).
- Plan adopted by BESE and OPSB in 2008 – six phases will result in 85 new or renovated buildings.
- Facility Master Plan Oversight Committee created to provide guidance - has not met regularly.
- FEMA Lump Sum settlement of $1.8 billion for school reconstruction announced August 2010 (not including content replacement settlement, CDBG funds or any insurance proceeds).

$400 million to OPSB
$1.4 billion to RSD ($700 million already committed to projects prior to settlement announcement)
Planning for the future

- Creation of a third-party/intermediary entity that would control access to all public school properties, assign buildings, ensure that buildings are maintained to certain standard

- Policies that are transparent, fair and equitable and make no distinction between traditional and charter public schools

- Longer lease terms – allow charters to self-finance improvements to properties within guidelines

- New sources of revenue for capital maintenance and repair – either directed to schools or to intermediary

New Orleans School Facility Project
Creating a new type of school facility manager/authority/intermediary

- Start with good data about inventory
- Owner (District) must be willing to turn over control (not title) to properties – politics get in the way of assigning buildings when it is a function of the central office or school board
- Centralized authority must have the ability to produce revenue (rent, millage, etc.) and must have enough long-term control to take advantage of all types of public financing
- Create a relationship between authorizer(s) and facility manager
- Regular updates regarding demographics, shifts in enrollment between charter and district schools
- Create fair, transparent, equitable process for assignment – determine how ties for same building are broken
- Ensure clear delineation of payment for maintenance and repair – dollar threshold or type of repair
- Facility Manager will need authority to evict if lease terms not upheld
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
For more information on the New Orleans School Facility Project

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www.schoolfacilityproject.org