

Innovation in Charter School Design & Financing

CCSA Conference

March 16, 2016



Agenda

- Panel introductions
- Capital Impact Partners – facility financing
- PCSD - overview of the facility development process
- El Sol Science And Arts Academy
- Environmental Charter Middle School
- Equitas Academy Elementary School
- Emerging facility development trends
- Questions

Panel Introductions

- ***Capital Impact Partners – Emilie Linick, Senior Loan Officer***

Capital Impact Partners has provided over \$600 million in charter school facilities financing, creating over 200,000 school seats at high performing charter schools across the country. Emilie works directly with potential and existing portfolio borrowers to provide facilities financing and working capital products.

- ***Environmental Charter Middle School - Alison Suffet Diaz, Executive Director***

ECS is a growing network of public charter schools in underserved communities in Los Angeles. Since its inception in 2000, ECS has been providing a unique college preparatory learning experience that utilizes environmental service learning to inspire students to find authentic meaning in their studies, and to empower them to become quality stewards of their community and world.

- ***Equitas Academy Elementary School – Jon Host, Chief Operating officer***

Equitas Academy, a public charter school, was founded in 2009 in the Pico-Union neighborhood of Los Angeles. Equitas believes students must have access to an achievement-oriented learning environment, beginning in kindergarten and extending to the doors of high school and college to ensure all students can meet the ultimate goal of college graduation. The school provides an education that enriches the lives of students and their families, and where the school will work closely with families to do the hard work necessary to achieve excellence and college graduation.

- ***El Sol Science and Arts Academy – Monique Daviss, Executive Director***

El Sol is a Pre-K through eighth grade public charter school. The school's dual-immersion program also emphasizes the arts and sciences. El Sol's mission is to provide a rigorous academic environment that prepares students for entrance into a college preparatory track at the high school of their choice, and to create a culture of kindness, creativity, courage, and honesty that will permit our graduates to assume leadership roles in the 21st Century.

- ***Pacific Charter School Development – James Heugas, Facilities Director***

PCSD has leveraged \$50M in philanthropic equity, secured \$140M in additional financing, and built 50+ schools serving more than 20,000 students. James works directly with his charter school clients to navigate their facilities development challenges.

Capital Impact Partners

Charter School Expertise and Social Impact

- Capital Impact Partners is a national non-profit financial institution that has been financing high performing charter schools for 20 years.
- To date, our financing has totaled over **\$664 million** and provided over **228,000 charter school seats** across the country.
- Capital Impact Partners is the largest, Community Development Financial Institution (CDFI) charter school lender.



Capital Impact Partners

Our Financing Products

Facility financing:

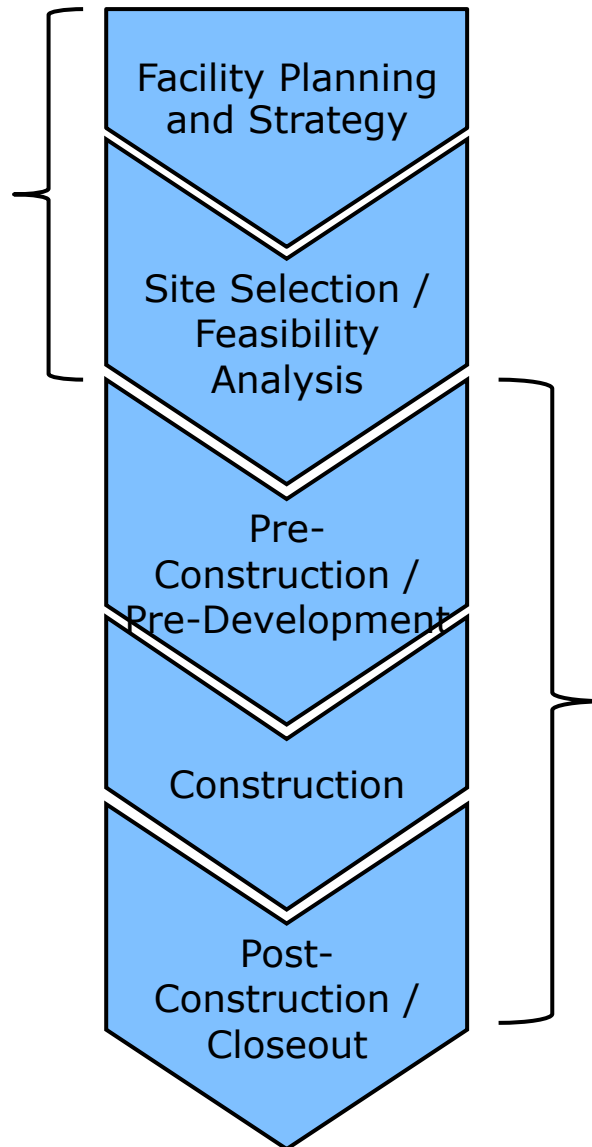
- Term loans: Acquisition, construction, leasehold improvements
- Bridge loans
- Long-term fixed rate financing
- New Markets Tax Credits



CAPITAL IMPACT
PARTNERS

There are 5 fundamental steps to the facility development process

All charter schools will have to go through the first two steps to identify a short-term and long-term solution



Schools pursuing a long term option on a non-district-provided sites will likely have to go through some degree of construction-related planning

Building occupancy

Key questions and areas of consideration during design development

Question to ask during site selection and design development:

- Are there already charters in this geography?
- Where is my target neighborhood?
- What is the neighborhood demographic in your target neighborhood?
- What is traffic circulation likely to look like at this site?
- How can I layout my building to achieve the most efficient use of space and still meet my program goals?

Areas to consider for Program Development/Space Assessment:

- Enrollment / Staff Planning
- Grade Configuration
- General Use Needs
- Extra-Curricular Needs
- On-site Parking

What am I willing to compromise on and what are the must haves?

El Sol Science and Arts Academy



El Sol Science and Arts Academy, Santa Ana

Current Program and History:

- **Current student population:** 805 K – 8 and 75 Preschoolers
- **Free and Reduced Lunch Eligible:** 80%
- **English Language Learners:** 70%
- **Grades served:** Pre K - 8
- **After school programs:**
art, music, dance, poetry, science, workplace mentoring, and service learning
- **School and Community Wellness:**
onsite wellness center, food distribution, adult education, legal aid, social services, comprehensive approach to school and community wellness
- **Partnership:**
Share Our Selves, UCI, Chapman University, Sage Hill School, PIMCO, Legal Aid Society, Healthy Smiles for Kids, Big Brothers, Global Girls Rising, Public Law Center, Rancho Santiago Community College District, Santa Ana Unified School District, Etc.

Financing:

- **School Equity** \$560,000 Fundraising and/or cash reserves
- **Debt** \$7,254,000 NMTC Leverage loan and equity investment

El Sol Science and Arts Academy, Santa Ana

Initial request:

- A total of 38 new classrooms housed in two new buildings and a refurbished existing structure
- Community space, multi-purpose room (MPR)
- Central administration
- An outdoor playing field
- Parking with new pick-up and drop-off

Programmatic needs/requests:

- Separation of campus to provide K-5 and 6-8 areas
- Outdoor space for the current K-8th students
- A space to provide food service and for students to eat
- Administration space (upgrades to communication and power infrastructure)
- Inclusion of a Wellness Clinic (operated by an outside entity) on campus to serve students and families

Case study: Programmatic Needs

El Sol Science and Arts Academy, Santa Ana

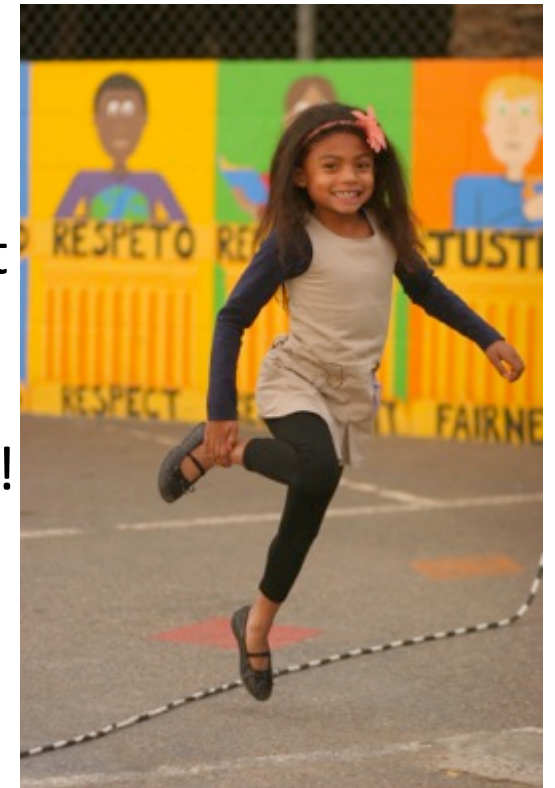
Decisions:

- Phase the development with Phase 1 as a 12 classroom, 19,000sqft building
- Include parking, additional classrooms, MPR, pick-up and drop-off and sports field in future phases
- Fund Wellness Center entirely from Philanthropic donations as opposed to taking on more debt.



Lessons Learned

- Align campus development with school values
- Engage stakeholders in the process
- Maintain your vision during challenges
- Find experts who can identify best practices and guide your decision making
- Communicate throughout the process
- Pay particular attention to the builders close out and don't release them until you are satisfied.
- Understand that it is difficult but not impossible!

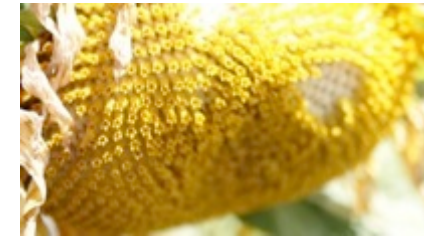


Community Involvement Kaboom!



ENVIRONMENTAL CHARTER

A case study of
Innovation in Charter
School Design and
Financing



SNAPSHOT

Environmental
Charter Schools



3
Schools in South
Los Angeles

1,000
College prep
Middle & High
School students

98%
Of our High
School seniors
graduate ready
to attend a
4-year college

1st
Most of our
students will
be the first in
their families to
attended college

88%
of our students
qualify for free or
reduced lunch

Green
Ribbon School +
a Silver LEED
school campus

73% Hispanic
18% African
American
5% Caucasian
/other
4% Asian

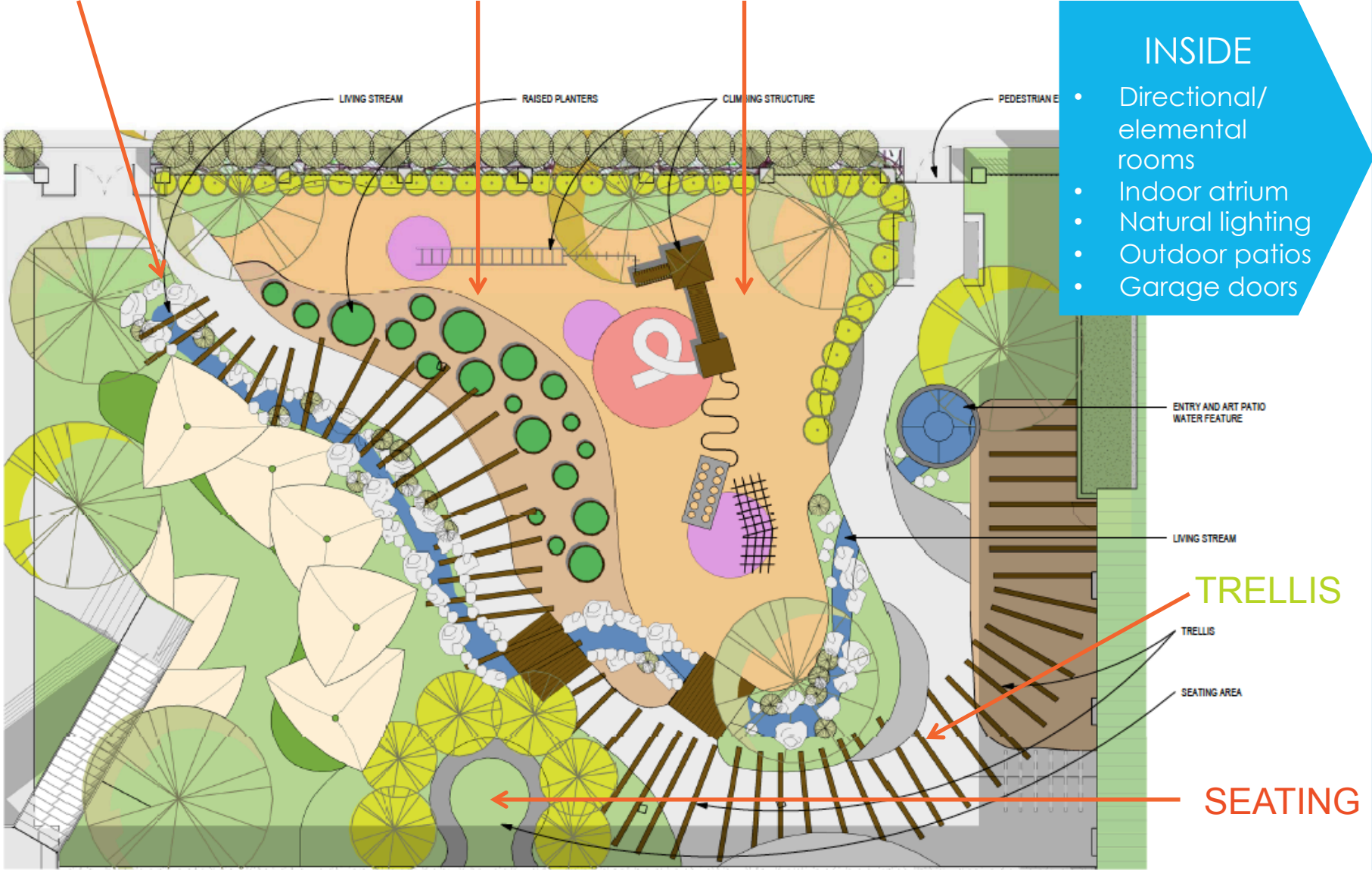
1 of 6
Finalists in
President
Obama's
Commencement
Challenge

LIVING STREAM

RAISED BEDS

PLAY STRUCTURE

- ### INSIDE
- Directional/ elemental rooms
 - Indoor atrium
 - Natural lighting
 - Outdoor patios
 - Garage doors



COMPOST BINS

We handle our waste!



GARAGE DOORS

Shed light on outdoor learning



NATURAL LIGHTING



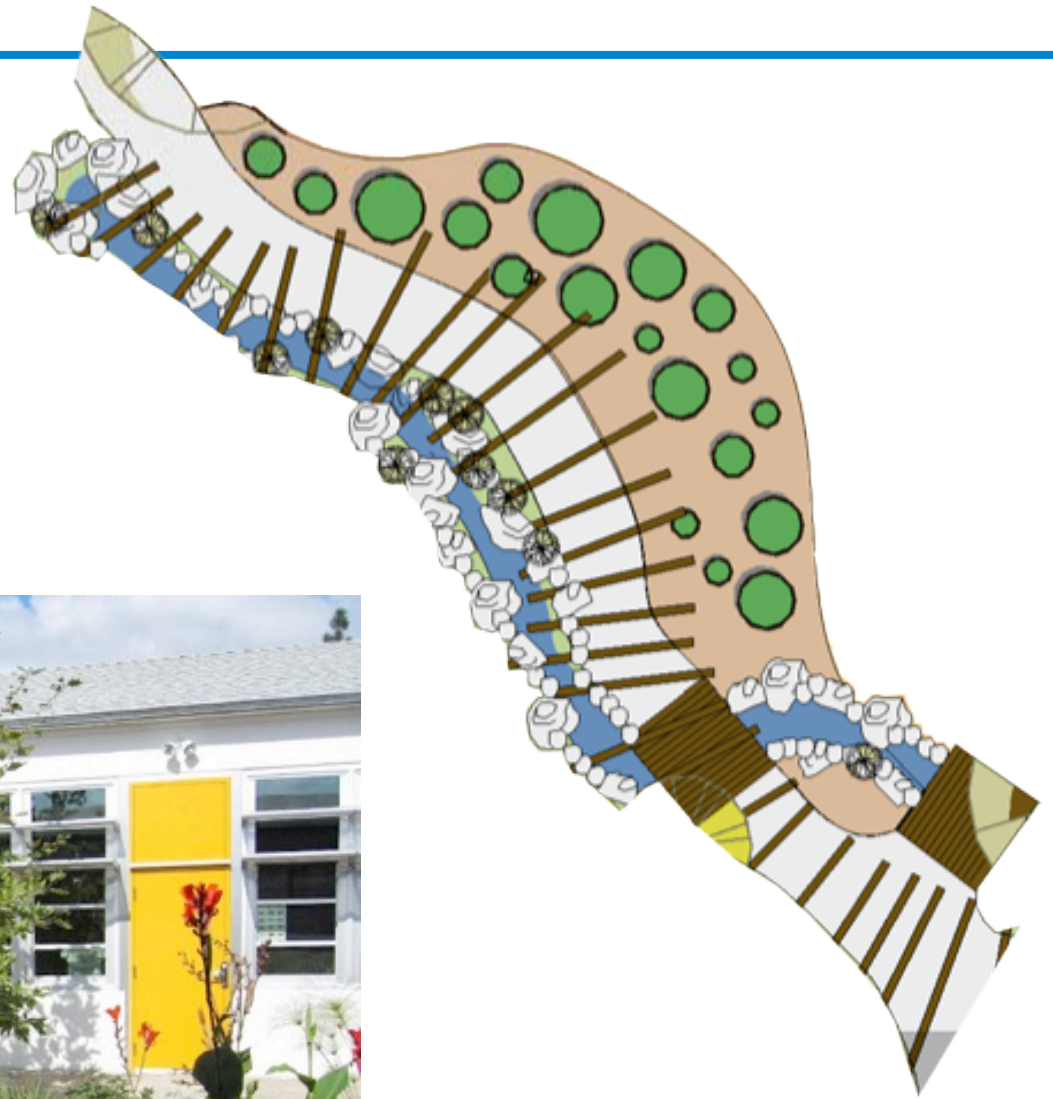
WINDOWS EVERYWHERE



SECOND FLOOR PATIOS

Safe outdoor learning, yoga, science and plants!





LIVING
STREAM

2010

2011

2012

2013

2014

Identify & evaluate possible **site locations** Ongoing prior to 2010

Gain approval of **Charter petition** Spring 2010

Identify & open a **site location** in a church in Inglewood August 2010

Negotiate **purchase agreements** & development **contract** Aug/Sept 2011

Identify **permanent location** in Gardena Fall 2011

Secure **Conditional Use Permit** June 2012

Begin **construction** July 2012

New Market Tax Credit application and eligibility Dec 2012

Move in April 2013

Ribbon Cutting May 2013

Receive **Prop K Grant** (649K) Summer 2013

Phase II Plans submitted and approved Aug-November 2013

Resubmit for **New Market Tax Credits**

Open **Escrow & Purchase** site Nov/Dec 2013

Projected **project completion** August 2014

FINANCING THE PROJECT

1

ECS negotiated sale

2

ECS simultaneously negotiated construction contract agreement and lease agreement with Pacific Charter School Development (PCSD)

3

ECS assigned PSA (purchase sale agreement) to PCSD

4

PCSD purchased site with a construction loan from the clearinghouse

5

Pipeline New Market application approved

6

ECS closes on the property

The Numbers

Property Size: 0.91 Acres

Acquisition Costs: \$1.25M (Purchased)

Hard Costs: \$4.63M

Soft Costs: \$1.19M

Financing Cost: \$330K

Contingency: \$240K

Total Project Costs: \$7.63M

School Sq. Ft: 27,000 sf

Seats Created: 360

Total Cost/SF: \$283

Total Cost/Seat: \$21,206

ECS Yearly Facility Cost: \$384,000

ECS Yearly Facility Cost/Seat: \$1067

Project Financing:

\$6.37M New Market Tax Credit loan with PCSD
subsidiary and ECS capital contribution of \$708K

LESSONS LEARNED

- Who will be using the space? For what?
 - What are the electrical needs/low voltage and high voltage?
 - Are sinks needed?
 - How will teachers share student work?
- You can't do everything!
- Spend your \$ on things that align with your mission
- Kids are hard on Floors and Walls
- Consider: Storage/Space, Office space, Small Group Spaces
- Think big, start small. Work in phases.
- Architects don't think like teachers/students

Equitas Academy, Los Angeles

Opened 2009 in temporary facilities near Lafayette Park in Los Angeles, Equitas Academy moved into its new facility in the Pico Union neighborhood of Los Angeles in July 2012, and now serves 450 students.

Equitas Academy's 2013 API score was 894.

Equitas Academy serves 95% Latino students
95% Free/Reduced Lunch
80% English Learners



Case Study: Equitas Academy



Project Summary:

Tenant: Equitas Academy, K-4

Property Size: 0.75 Acres

Acquisition Costs: \$150K (leased)

Hard Costs: \$3.0M

Soft Costs: \$1.4M

Total Project Costs: \$4.6M

School Sq. Ft: 25,000 sf

Seats Created: 450

Total Cost/SF: \$171

Total Cost/Seat: \$9,538

Opening Date: July 2012

Project Financing: \$4.3M New Market Tax Credit loan with a PCSD subsidiary as the Lessee and Borrower and Equitas as the Sub-lessee.

Architect: Franco & Associates

General Contractor: Blackwell Construction

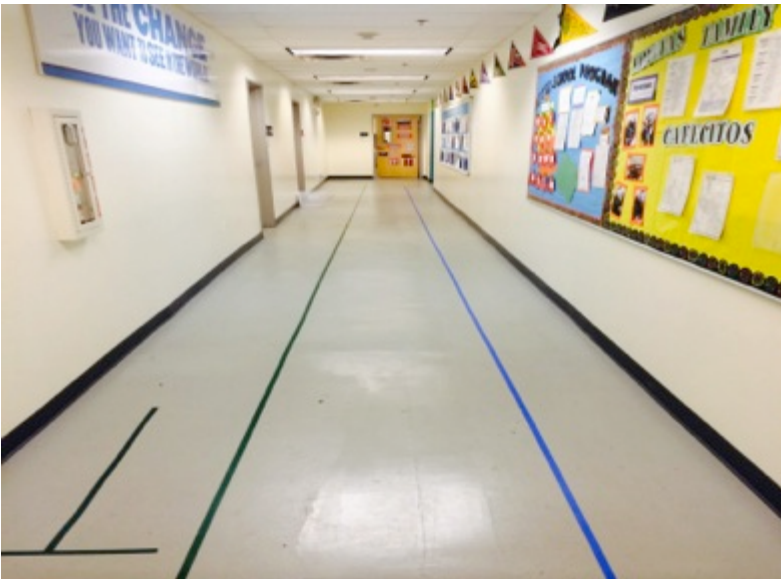
Innovation: Equitas Academy



Property Highlights and Building Features:

- 18 classrooms averaging 750 sf
- Kindergarten classrooms have private restrooms
- Multi-purpose room & warming kitchen
- Atrium corridor for breakout learning sessions
- Administration space and teacher's workroom
- Exterior 2,500 sf play space
- 15 on-site parking lot
- Green-screen trellis and anti-graffiti window coating along exterior to deter graffiti
- Secure entry with intercom and automatic locking doors. Building wired for 16-channel security system
- Windows or skylights into each classroom for access to natural light
- Low-flow fixtures and hand-dryers in restrooms
- Soft surfacing at playground

Wished We Knew/Lesson Learned



- Upgraded sewer line and connection in street after school had issues with the existing system built in the 1950s.
- Added anti-graffiti coating to windows to deter vandalism.
- Upgraded playground surface from wood chips to soft surface. Negotiated improvements with surface vendor to address school concerns.
- Shading for playground is key
- Need more flexibility with space and quiet areas
- Need more break out rooms
- Need to think about restrooms for families/ public use
- Flooring choice has become an issue

Equitas Academy: Lessons Learned



Innovative highlights

- Equitas – adaptive reuse of existing structure required flexibility in space programming
- El Sol – Use of modular construction to resolve issue with timing and limited construction space
- Environmental – Use of unconventional building materials and inclusion of school programming in all aspects of the building
- Project trends

Emerging facility development trends



Emerging Trends

- Small lot development with 3-level structures
- Modular or componentized structures (El Sol, Santa Ana)
- Development of larger open learning and flex space with smaller breakout rooms (Caliber, Vallejo and Summit, Seattle)
- Crowdsourcing for FF&E
- Use of concrete tilt-up vs wood-frame to increase affordability (Aspire and Summit in Richmond, CA)
- Long term leases vs. site ownership
- Full or partial below-grade levels for parking and circulation (Equitas 8th Street)

