

# Lease Aide

JULY 2011

Market News and Commercial Real Estate Strategy for Charter Schools



## Highlights from the 2011 National Charter Schools Conference in Atlanta, Georgia, June 20-23

Attendance was strong at roughly 4,500 attendees. We attended a variety of sessions while at the conference. For those of you unable to attend, we wanted to summarize key insights we collected.

### Key to Successful Charter Schools

- Teachers
- Leadership
- Governance

### National Alliance for Charter Schools (Facilities Initiatives)

This group is addressing the lack of facilities and capital to finance charter school facilities through the following approaches:

- State advocacy
- Federal advocacy
- Capital market support
- Access to available public buildings

### Funding Sources

- Nonprofits
- Foundations
- Private funders
- Grants
- Federal/State grants and loans
- Tax-Exempt Bonds
- Taxable Bonds (via Treasury Department Programs)
- Community Development Financial Institutions
- Real Estate Developers
- New Market Tax Credits
- Qualified School Construction Funds
- USDA Rural Loan Program
- Debt/Equity Markets
- Banks

### Housing and Charter Schools

- Some markets are developing concepts to bring together charter schools and housing
- Boston, MA and Newark, NJ were highlighted projects that serve as public/private partnership examples
- These projects were financed by: HUD, Goldman Sachs, federal and state funding, Qualified School Construction Bonds, New Market Tax Credits, private funders
- Projects incorporate workforce housing for teachers, daycare, multiple charter schools within the complex, as well as a retail component
- “Public boarding schools” are created by the concept-longer school days, class on weekends and throughout summers

### Keynote Speaker - Honorable Cory A. Booker, Mayor, City of Newark, NJ

- We need to distinguish schools in 2 ways (whether charter, public or private):
  - o “schools with excellence”
  - o “schools that suck”

### Lifetime Achievement Award Honoree and Keynote Speaker - President Bill Clinton

- “Get America back in the future business, keep our country in the change business; charter schools have proven schools can be in the future business.”
- Combat childhood obesity by joining the Alliance for a Healthier Generation;  
[www.healthiergeneration.org](http://www.healthiergeneration.org)

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- Make charter school facilities more energy efficient; simple idea implemented by Mayor Michael Bloomberg in New York-paint every flattop roof white, which employed students and resulted in 10-20% off air conditioning bills
- Clinton Global Initiative convenes global leaders to devise and implement innovative solutions to some of the world's most pressing challenges; [www.clintonglobalinitiative.org](http://www.clintonglobalinitiative.org)
- SeaChange Capital Partners mission is to enable transactions that increase the impact of nonprofits and offer leverage to donors; <http://seachangecap.org>

### Odds & Ends

- It is important to understand your local, regional, and national funding sources
- Key components funders look at are academics, mission/impact, and business management
- Show investors the social good you are doing-impress and inspire
- Be proactive with keeping bankers, funders, and other stakeholders informed and do it regularly
- New York charter schools cost is roughly \$1,100 per square foot (psf) to build; Minnesota is \$150 psf
- Modular classrooms cost \$40-80 psf and can be an attractive expansion option
- Your occupancy cost should be no more than 15% of your revenue (excludes furniture)
  - o .15 x likely gross revenue = maximum facilities expense
- Average facilities size for charter schools is 75-150 square feet per student

### Commercial Real Estate Market Update

- Market is bottoming out; look for a bounce-back late 2011.
- 30% state holdback is making charter schools riskier tenants.
- If this continues into a stronger market, facility options will reduce further.
- Credit markets are likely on the path to improve, but will remain constrained.

### Looking Ahead...Mark Your Calendars

- 2011 National Association of Charter School Authorizers Leadership Conference will take place in Amelia Island, FL, October 24-27; <http://www.qualitycharters.org/events/2011-annual-leadership-conference>
- 2012 National Charter Schools Conference will take place in Minneapolis, MN, June 19-22



## ADVISORY SERVICES GROUP

### *Our services include:*

- Lease/Renewal Negotiations
- Sublease Excess Space
- Project Management
- Property Acquisition
- Property Disposition
- Strategic Planning



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