

# **Out of the Box**

## *Facilities Financing Ideas for Charter Schools*

### ***Table of Contents***

The Challenge

Lever 1: Getting ready to tackle the facilities challenge

- Real estate planning
- Business planning
- Accountability planning

Lever 2: Minimizing the amount you have to finance

- Redefining the school
- Bringing your own equity
- Working a deal

Lever 3: Minimizing the cost of financing

- Being a smart consumer
- Seeking out low-rate options
- Abating risk
- Looking for revenue-generating opportunities

Lever 4: Advocating for policy changes

Meeting the Challenge

Appendix: Where to go for more information

- Schools featured in this document
- Potential public sources of facilities financing
- Public sources of facility sites and buildings
- Other resources
- Some sources of financing and financial services for charter schools

# Out of the Box

## *Facilities Financing Ideas for Charter Schools*

### **The Challenge**

If you are connected with a charter school, no one needs to tell you that finding and financing a facility is one of the most daunting challenges faced by charter schools everywhere. No one needs to point out that appropriate buildings are scarce; that affordable leases and loans are hard to come by; that renovations can drain even the most expansive start-up budgets; that managing a real estate development project is a complex and risk-filled task; that making those monthly mortgage or rent payments can eat into your precious operating dollars.

Like North Carolina's New Century Charter School (see "From Moviehouse to Schoolhouse: Persistence Pays Off" box), you may have set up school in a series of temporary sites before finding your "permanent" location — permanent, that is, until your lease ran out or your growing enrollment had you bursting at the seams. Like the leaders of many of the other schools featured in this report, you may have gone begging at what seemed like dozens of financing sources before you put together a deal that worked, if only marginally. But like these other school leaders, you may also have devised some of the most creative facility financing arrangements public education has ever seen — building your school but at the same time building models from which we all can learn.

The Charter Friends National Network's *Out of the Box* is about the challenges facing charter schools as they seek to finance their facilities. But more to the point, it is about the extraordinary strategies charter school leaders have put in play in order to make homes for their schools. Based on exchanges with dozens of people around the country that have devised these strategies, this document describes a set of levers or tools that charter leaders have at their disposal when it comes to financing a facility.

*Out of the Box* is not a comprehensive guidebook to facilities financing, but it should provide you with a host of ideas to pursue in your own settings and a wealth of resources to mine for more information. Though it focuses on one aspect of the facilities challenge — financing — it touches on many of the other issues you face, including finding an appropriate site, managing a construction or renovation process, and operating a facility safely and economically once the building opens.

The document is organized around four major levers charter schools are using to meet the facilities financing challenge:

***Lever 1: Getting ready to tackle the facilities challenge.*** Schools are finding that well-crafted business plans, clear accountability plans, and detailed facility-development plans make all the difference. This section of *Out of the Box* provides information about tools that can help with these processes.

+

**Lever 2: Minimizing the amount you have to finance.** Most charter schools end up borrowing some money for their facilities or incorporating the costs of renovation in a long-term lease. But schools across the country are finding creative ways to bring down the amount they finance.

**Lever 3: Minimizing the cost of financing.** By shopping aggressively, exploring low-cost forms of financing, looking for ways to make their deals less risky, and pursuing other strategies, schools everywhere have reduced the interest rates they end up paying on the amounts they have to finance.

**Lever 4: Advocating for policy changes.** Many of charter schools' facilities problems grow out of unfavorable public policies toward charter schools. In many states, charter schools have joined forces to win improvements in these policies, obtaining per-pupil revenue for charter school facilities and other helpful changes.

Throughout the document, the ideas presented are based on the experiences of real charter schools. Profiles of schools' strategies and other important tools are set apart by boxes and icons, explained in the box. If you have identified other successful strategies in your work, please submit them to the Friends Network. Like the labors of charter leaders in solving facilities problems, *Out of the Box* is a work in progress, and we welcome your ideas. See the inside front cover for information about contacting the Friends Network.

### **Look for These Icons Throughout the Document**



**School profile.** These boxes provide real-world examples of how charter schools have approached the facilities financing challenge.



**Tools you can use.** These boxes provide tools and resources you can use to address your own facilities financing needs.



### ***From Moviehouse to Schoolhouse: Persistence Pays Off***

**New Century Charter School** in Carrboro, NC offers a bizarre yet apparently not that uncommon example of how charter schools across the country are struggling to find suitable facilities. When New Century opened in September of 1998, its doors were not those of a school, or for that matter anything resembling a school. Rather, it opened its doors in a local movie theater.

Of course, New Century's experience with finding a good location did not start or end there. Early on, New Century came across a local real estate developer who, having attended an alternative high school himself, became sympathetic to the school's needs. He began developing plans for the school on a plot of land he owned in Carrboro. Unfortunately, that plan fell through because of strong neighborhood opposition to having a high school in the immediate area. Undaunted, school leaders shifted their attention to trying to obtain an existing building in Carrboro, but that plan fizzled as well. Although New Century's leaders had started their school search early on, it was now the summer of 1998 and the school was scheduled to open in September. Running out of time, the school's staff worked out an arrangement with the owner of the theater, who just happened to be a former English teacher, and were able to secure a temporary site until the end of the year.

Fortunate and grateful to have a "home," the staff embraced the challenge of holding classes in such an untraditional location by using the projection screen for overheads and designing lap boards for the students to work on while in their seats. Unfortunately, despite their efforts, using the theater proved to be too complex. The school had to set up and tear down every day, a strenuous routine.

While operating in the theater, the school's leaders came close to finding a permanent site several times. In November, they had tentatively negotiated an agreement for a site at a local church camp. The school would use it during the school year and the church group who owned it would use it for summer camp. Everything seemed to be falling into place, until once again public perception foiled the deal. During this time, some bad publicity came out in local papers about the problems facing other charter schools. As a result, this deal, as well as another one with a church, fell through.

It was now December and the end of the arrangement with the movie theater. New Century now faced the same dilemma it had in the summer—where would it hold classes? During Winter break the school moved out of the theater and into a nightclub at a local motel. While this location would only be home to New Century for four weeks, it proved to be a good, and necessary, opportunity while the school continued to search for more permanent quarters.

Finally things started looking up. Space opened up in a building that had originally been the area schoolhouse before being abandoned and falling into disrepair. Eventually the building was purchased and renovated into artists' studios and community building. After cycling through five potential sites in less than 2 years, New Century finally moved into the old 1930s school building as its permanent home in February of 1999.

\*\*For more information contact Holly Snyder at (919) 942-4772 or [newcentury1@juno.com](mailto:newcentury1@juno.com)  
<http://nccs.home.mindspring.com>

+

## **Lever 1: Getting Ready to Tackle the Facilities Financing Challenge**

The first lever you have at your disposal is to get your own house in order as a charter school. Financing a facility inevitably involves presenting your case effectively to prospective lenders, investors, property owners, and grant-makers. For simplicity, this document will refer to all of these potential audiences as “investors,” since charter schools ask all of these groups to take risks in the anticipation of some return, whether financial or otherwise. Investors are likely to be concerned about three sets of issues. First, will your school be able to develop and manage a facility that is (a) appropriate to the school’s educational program and (b) valuable on the market in the event the school does not succeed? Second, will the net revenue your school generates be sufficient to make loan or lease payments? Third, when your school’s charter comes up for renewal, how good are the chances that you will get the go ahead to operate beyond your initial term?

### **A Word About Terms: “Investors”**

*Out of the Box* uses the term “investor” to refer to a range of entities that provide financing for charter school facilities, including:

- ✓ lenders
- ✓ holders of bonds
- ✓ providers of “equity”
- ✓ property owners making long-term leases
- ✓ donors
- ✓ public agencies that may provide financing for charter schools

All of these are “investors” in the sense that they provide financing up-front in anticipation of some uncertain future “return,” whether financial or otherwise. This document uses the single term for simplicity.

Successful charter leaders devise answers to these three questions through three kinds of planning: real estate planning, business planning, and accountability planning.

### **Real Estate Planning**

As you well know, developing a charter school facility is a complex undertaking. Whether you end up renovating an existing space for your purposes (as most charter schools do) or constructing a new building, the process is likely to be time-consuming, expensive, and filled with twists and turns and false starts. Even if you don’t need any financing, careful planning of this process is essential to your school’s success. And if you, like most schools, do need financing for your facility, having a clear real estate plan and demonstrating the capacity to carry it out are central selling points for investors.

+

If there is one overarching piece of advice almost all experienced charter school facility developers offer, it is this: *give yourself time to find, finance, and develop your facility*. Time is critical first and most simply because the real estate development process takes time, far longer than most people expect. And giving yourself time helps you negotiate effectively with all of the providers you'll encounter, be they lenders, property owners, or construction companies. If you have the time and inclination to shop, you're in a better position to bargain. Of course, time is not a luxury all can afford. But early starts and foresight can help; avoid waiting until the last minute if at all possible.

Beyond allowing yourself time, charter operators provide a range of tips on conducting your facility planning process. Some of these are offered in the "Keys to Effective Real Estate Planning" box, which draws largely on the advice of the California Charter Schools Development Center.

## **Business Planning**

The core document reviewed by potential investors is the school's "business plan." The business plan presents your case for financing. A typical charter school business plan includes elements such as:

- ✓ a description of the school's mission and educational approach
- ✓ an analysis of the school's "market," explaining the target population's needs and the school's competition
- ✓ an explanation of the school's marketing strategy
- ✓ an outline of the school's management and governance plans, including descriptions of key board members and personnel
- ✓ financial data about the school, including annual budgets and cash flow statements projected into the future and, in the case of existing schools and organizations, financial statements from prior periods.

Fortunately, there is no need to start from scratch when developing a business plan to show potential investors. A wide range of business plan outlines, sample business plans, sample financial statements, and downloadable business planning spreadsheets are available. See the "Tools for Business Planning" box for a host of resources for charter schools specifically and for small enterprises more generally.



## **Keys to Effective Real Estate Planning**

**Understand local, state and federal processes.** Many different agencies have their hands on the real estate development process. Local officials oversee **zoning** procedures that may affect your project. Another local factor is **building codes**, which specify in great detail the constraints you will face. Your **state charter law or regulations** may contain specific provisions regarding facilities. More general **state education law** may contain strictures on school facilities that go above and beyond local building codes. And **federal laws**, such as the Americans with Disabilities Act, include requirements that affect charter facilities.

**Identify needs.** Knowing what you need is a vital early step. Your facility should be an integral part of your overall school design, including its instructional program and overall business plan. Consider not only the total space you need for your core academic program, but also questions about the configuration of this core space, technological needs, auxiliary facilities (like playgrounds and athletic space, common / “multipurpose” spaces, parking, kitchens, offices), location and traffic flow. As discussed below, think creatively about which of your needs truly must be met on your main “campus” and which can be met through partnerships with others, but make sure you think through how you will meet all your needs. For an example of how one school listed out its needs for space, see the box “One School’s Space Needs.”

**Identify options.** Think broadly about possibilities, including existing district school space, existing private school space, churches, retail or industrial space, modular buildings, and new construction.

**Integrate into school plan.** Consider not just short-term needs, but also long-term plans for expansion of enrollment and programs. Consider what your unique instructional program requires in the way of facilities. Consider all the financial trade-offs involved with different facility choices (see the Business Planning section, below). And don’t forget the significant amount of leadership attention that’s required to make a facility happen for a school — be sure the timing of this attention makes sense in light of your broader leadership tasks.

**Implement with care and expertise.** Experience with finance, design, and construction is essential — make sure you have that expertise internally or have access to it via well-crafted contracts. Negotiate contracts with great care, though — caveat emptor! Identify and address significant risks early, and have back-up plans for inevitable fowl-ups and delays. Bring key advisors and potential partners in early for preliminary discussions and feedback.

*Adapted from materials of the California Charter Schools Development Center. For more information on CSDC, visit [www.cacharterschools.org](http://www.cacharterschools.org).*

+



## **One School's Space Needs: St. Paul Community Learning Center**

### **Type of Space Size Needed for School Serving 150 K-6 Students (in square feet)**

Reception area and office:	300
Work room:	300
Parent resource room:	200
Conference room:	100
Conference room:	250
Director's office:	150
Commons, lunch, assemblies:	2,500
Instructional space:	5,000
Computer lab:	800
Kitchen, tiled, can be vinyl:	200
Bathrooms:	1,000
Storage (4 at 100 each):	400
Custodian and storage:	100
Health:	150
Closed in room for TV studio, drama:	1,200
Teachers' work room:	200
Additional storage:	400
<u>Circulation:</u>	<u>900</u>
<b>Total:</b>	<b>14,150</b>

Other build out requirements: security system; open green space north of bldg.; fence around grounds; conduit for phone, data lines

\*\*For more information contact Wayne Jennings, Designs for Learning at 612-649-5400 or [wayne@designlearn.com](mailto:wayne@designlearn.com)





## ***Tools for Business Planning***

### **Specific tools for charter school business planning**

***Friends Network's Guide for Developing a Business Plan for Charter Schools***

<http://www.charterfriends.org/guide.html>

***Self-Help's Charter School Cash Flow Template (Excel Spreadsheet)***

<http://www.selfhelp.org/new/lending/charter.xls>

***Charter School Business Planning Spreadsheets from Leadership for Quality Education and the Illinois Facilities Fund***

<http://www.lqe.org/resource.htm>

### **General business planning guides, tools, and resources**

#### ***Small Business Administration***

Business plan outline: <http://www.sbaonline.sba.gov/starting/businessplan.html>

SBA Small Business Classroom: <http://classroom.sba.gov/xtrainx/>

Current on-line course offerings include "The Business Plan" and "How to Raise Capital for a Small Business"

Local SBA Offices: <http://www.sba.gov/regions/states.html>

#### ***Quicken.com Tools for Small Enterprises***

Business plan samples and templates:

[http://www.quicken.com/small\\_business/starting\\_a\\_business/](http://www.quicken.com/small_business/starting_a_business/)

Business planning spreadsheets and model documents and policies:

[http://www.quicken.com/small\\_business/cch/tools/contents/](http://www.quicken.com/small_business/cch/tools/contents/)

#### ***Other sites with business planning resources***

<http://www.ideacafe.com/>

<http://www.morebusiness.com/>

## **Accountability Planning**

Next to real estate planning and business planning, accountability planning seems not to belong. But experienced charter school leaders say that having a clear accountability plan for the school is critical to convincing investors to ante up. For prospective lenders and landlords, the charter school renewal process can be frightening. Since facilities loans and leases often require 15-30 year terms to be feasible, lenders and landlords are smart to ask: what will happen at the end of three or five years when the charter comes up for renewal? A clear accountability plan can turn the black box of renewal into one of the many calculable risks investors take when providing

Public Impact for Charter Friends National Network

+

long-term financing. For potential donors, the accountability plan is an essential part of the case the school makes for the value of a charitable contribution, since it outlines what the school hopes to achieve and how it expects to get there. See the “Tools for Accountability Planning” box for some accountability planning resources.



### ***Tools for Accountability Planning***

A vast array of such tools exists, but two places in particular offer well-organized gateways to this world of resources:

***An Annotated Resource Guide for Shaping an Accountability Plan for Your Charter School*** produced by the California Charter Schools Development Center and available through the Friends Network’s website:

<http://www.charterfriends.org/performance.html>

***Standards and Assessment Resource List*** compiled by Leadership for Quality Education:

<http://www.lqe.org/stand.htm>.

## ***Lever 2: Minimizing the Amount You Have to Finance***

How much will you have to borrow (or incorporate in a long-term lease) to finance your facility? The amount is a function first of the *total size of the project* — how much it will cost to get a facility ready for students. But the amount you have to finance also depends on the *portion you can “raise”* through means other than borrowing. The next three sections of *Out of the Box* discusses a number of strategies charter schools are using to take on both of these challenges. “Redefining the School” talks about ways charter schools are reducing the total size of their facilities projects by rethinking what they truly need in their facilities. “Bringing Your Own Equity” discusses sources of grant funds that have helped charter schools bring down the amount they financed. “Working a Deal” describes ways charter schools have obtained space for less than the market would typically charge. While the specific examples cited may not apply to your school or community, they may serve as catalysts for your thinking about analogous opportunities in your own setting.

### ***Redefining the School***

Most of us went to schools with a standard design — classrooms off of hallways; a library; a cafeteria and gymnasium; perhaps an auditorium; parking lots, playgrounds, and sports fields outside. The typical public school is a self-contained campus with all the needed facilities on-site. Charter schools offer the opportunity to rethink this self-contained model, and many charter schools are doing just that. They are contracting with other organizations — or using free public facilities — for functions like athletics, performing arts, even libraries and science labs, freeing up their scarce facilities dollars for renovating the schools’ core classroom spaces. They are

+

using technology to connect students to resources that ordinarily are found on site. The box entitled “Off-campus Resources” contains some ideas.



### ***Off-campus Resources***

- ✓ County parks and recreation facilities
- ✓ Private recreation facilities (from YMCAs to for-profit gyms)
- ✓ Public libraries
- ✓ Museums
- ✓ Local businesses (e.g. for computer facilities, common spaces)
- ✓ Universities
- ✓ Community colleges
- ✓ Other schools

Often, charter leaders “redefine the school” primarily to solve their facilities problems, but they often find that the new arrangements produce other benefits as well — expanding educational opportunities for students even as they help out with the bottom line. The experience of City on a Hill Charter School, featured in the “What is a School Anyway?” box, makes some of these possibilities clear.

Charter school leaders emphasize that, the redefined campus creates its own challenges. Can you find appropriate facilities in your community? How will you transport students to far-flung locations? How will you manage the collaborative relationships you must establish with other parties to make these arrangements work? Will contracting for outside facilities really save money, all things considered? Redefining the campus is no silver bullet. But many schools are finding it a helpful device in meeting the facilities challenge.



### What is a “School” Anyway?

**City On A Hill Charter School** in Boston, MA has its home in a YMCA adjacent to Northeastern University. The school rents space from the YMCA and has expanded this space every year while putting in \$2,000,000 for renovations. Not only has the YMCA been a good place to hold classes, City On A Hill also has a programmatic partnership with YMCA. It is able to utilize the YMCA’s gymnasium, after-school programs, and other facilities. The proximity to Northeastern University also offers some wonderful benefits to City On A Hill. As adjunct faculty at Northeastern, City On A Hill teachers have access to the university’s parking spaces, library, recreational facilities, and other amenities. Seniors are eligible to take classes at Northeastern and teachers can bring students to the library to use the internet, catalogs, reference materials, etc. In addition, if City On A Hill hosts a student teacher from Northeastern, the school receives credit for a free course at the university for a City On A Hill teacher.

Although City On A Hill’s relationship and arrangement with the YMCA has proven to be mutually beneficial, it does challenge the students with an adjustment from a more traditional school environment, and the YMCA must accept the challenges of having high-school students around all day. A school considering a similar arrangement should make sure that the hosting facility – like City On A Hill’s YMCA – is open to the positive opportunities and challenges that the young people present.

\*\*For more information contact Sarah Kass at (617) 262-9838  
<http://www.doe.mass.edu/cs.www/cs.cityonahill.html>

### Bringing Your Own Equity

Redefining the school may bring down your need to borrow, but you will probably still face some needs for financing. One obvious way to reduce this further is to raise money you don’t have to pay back. Here are some ideas from charter schools around the country:

***The old-fashioned capital campaign:*** Perhaps the most common and straightforward approach is simply to solicit donations for your facilities costs from individuals, businesses, and foundations. Though some funders are unwilling to provide money for facilities, they may be able to make an operating grant that frees up other funds for facilities. See the “Successful Results” box for one school’s experience with a capital campaign. For advice on fundraising and information about hundreds of funders, a good source of information is the Foundation Center’s website:  
<http://fdncenter.org>.



### **Successful Results Lead to More of the Same**

**New Visions Charter School** in Minneapolis, MN raised \$4.6 million over a 2 and 1/2 year period. In doing so, New Visions found that a charter school must show and document it is producing results. For example, New Visions works with students who have a history of setbacks in traditional schools. Through the combination of the various components of its unique programs, the school has produced about a 1.5 year reading gain with its students each year for the past 6 years. Without those results, the school feels it would not have been as successful in raising the funds. New Visions also found that producing an annual report of results made more individuals, corporations, and foundations aware of its program and therefore more interested in making contributions.

\*\*For a more in-depth review of New Visions School's experience, see the "Many Paths Lead to New Visions" box toward the end of this document.

**Federal community development funds:** Federal funds may be available for the renovation of facilities — not for charter schools per se, but for buildings in areas of the community that officials have targeted for physical improvement. Charter schools all over the country have been able to tap these funds to help pay for their facilities. For example, the AppleTree Institute in Washington, DC tapped Community Development Block Grant (CDBG) funds to help pay for its development of an incubator for charter schools in the District (see the box "Making the Most of Extra Space" under "Working a Deal," below.) For more information about the CDBG program and other federal initiatives, see the box "Federal Community Development Resources."

**Local community development funds:** In addition to these federal resources, your state or municipal government may have additional funds available for similar efforts. Many of these programs provide loans (these are explored below under "Minimizing the Cost of Financing," but some provide grants, such as those obtained by Colorado's Crown Pointe Charter Academy ("Education and Redevelopment" box.)

**Historical renovation funds:** In some places, charter schools housed in old buildings, such as old schools, can benefit from historic preservation funds. The box "Capitalizing on History" provides two examples of charter schools that have done so. (See also the discussion of historic tax credits under "Minimizing the Cost of Financing," below.)



## **Federal Community Development Resources**

### **Community Development Block Grants**

The Community Development Block Grant Program provides states with annual direct grants, which they in turn award to smaller communities for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and/or improving community facilities and services.

**Program Description:** <http://www.hud.gov/progdesc/cdbg-st.html>

**State Contacts:** <http://www.hud.gov/cpd/statefct.html#contact>

**Community Connections:** <http://www.comcon.org/>

The Information Center for the U.S. Department of Housing and Urban Development Office of Community Planning and Development including information on CDBG technical assistance, providers, and events

**Successful Application of CDBG Funds:** <http://www.hud.gov/ptw/menu.html>

Through the John J. Gunther Blue Ribbon Practices in Community Development awards, HUD recognizes the most notable and innovative practices in community development, including many successful applications of CDBG funds.

### **Empowerment Zones/Enterprise Communities**

The Empowerment Zone/Enterprise Community (EZ/EC) effort provides tax incentives and performance grants and loans to create jobs and expand business opportunities in the most economically distressed areas of inner cities and rural communities. It also focuses on activities to support people looking for work: job training, child care, and transportation.

**Background Information and Listing of EZ/ECs:** <http://www.hud.gov/cpd/ezec/ezeclist.html>

### **Public Housing—HOPE VI**

The HOPE VI program was developed as a result of the National Commission on Severely Distressed Public Housing, which was charged with proposing a National Action Plan to eradicate severely distressed public housing by the year 2000. The Commission recommended revitalization in three general areas: physical improvements, management improvements, and social and community services to address resident needs.

**Program Description and Contacts:** <http://www.hud.gov/pih/programs/ph/hope6/hope6.html>



## ***Education and Redevelopment***

**Crown Pointe Charter Academy** in Westminster, CO is located in a 10,700 square foot facility owned by the school district. Before becoming home to Crown Pointe, the building was last used for vocational training and had become dilapidated. Crown Pointe was able to renovate the building with the help of the City of Westminster. Westminster had identified a portion of the city as an urban redevelopment zone and felt that a charter school in that neighborhood would attract younger families and help the city meet its redevelopment objectives for the area. The city gave \$400,000 to Crown Pointe to renovate the building, in turn asking the school to target 33 percent of the enrollment from the South Westminster area (the redevelopment area).

Crown Pointe is now in the process of getting approval from the school district to double the building's size. The school needs approximately \$1.5 million to complete this expansion, and the city has already given \$111,000 toward this amount. The school's leaders plan to mount a corporate and individual fundraising campaign and to submit grant applications. Crown Pointe's goal for this expansion project is to raise \$500,000 through fundraising and obtain loans for the remaining amount.

For more information contact Kay May at (303) 466-8468 or [linkomatic@aol.com](mailto:linkomatic@aol.com)  
<http://www.geocities.com/athens/olympus/9509>



## ***Capitalizing on History***

The **Edison Project** teamed with a neighborhood organization called New Cole Economic Development Corporation for a \$6.5 million renovation of Denver's historic **Wyatt School**. The renovation includes an addition with a gym, a library, a computer lab, and classrooms. Renovating a historic property makes this project somewhat unique and even helped fundraising efforts. Because of the historic background of the building, the Colorado Historical Society gave \$400,000 toward the project. In addition, more than a dozen foundations, individuals, and government agencies awarded grants to the school to help with the construction costs. Overall, the school raised nearly \$4.5 million dollars, funding the balance of the project with a bank loan. For more information contact Garrett Wyman at (212) 292-4527 or [gwyman@newyork.edisonproject.com](mailto:gwyman@newyork.edisonproject.com)

**Marble Charter School** is another example of a charter school that took advantage of its historic nature. The school is located in a 1910 historic schoolhouse. In acquiring funds for the needed renovations, the charter school obtained two grants from Colorado Historical Society in the amounts of \$87,000 and \$111,000.

Although the building hadn't been used as a school since the 1940s, in the 1980s, the school district sold the building to the Marble Historic Society for \$1. The historic society used the building mainly as a museum until the some citizens presented the idea of starting a charter school in the community. At that point, the school had to decide if it wanted to purchase or rent the building from the historic society. Because the building would need a fair amount of renovation, the school opted to rent the building for 50 years for \$1 a year as to avoid having to renovate the entire building; renting space required bringing only the portion of the building being used for school purposes up to school standards. The school also borrowed \$117,000 from the school district at 0% over 10 years and has received other foundation based funding and donations. For more information contact Katie Updike at [kupdike@rof.net](mailto:kupdike@rof.net) or visit <http://marblecolorado.org/mcs>.

+

## Working a Deal

Another way charter schools have reduced costs is to find a property owner willing to sell or lease a building or conduct renovations for something below what the market will bear. Without question, these deals are hard to come by. You have probably already scoped out the most immediate options — churches with idle education space during the week, child care centers and private schools that aren't at capacity or have closed. But here are a few rocks to consider turning over:

***Vacant public space.*** The most obvious kind of public space is the vacant public school building, and many charter schools have found homes in current or former schools. In other places, though, local school buildings are not an option because there is simply no space, or because the relationship between the charter school and the district is less than chummy. But school buildings are not the only vacant space to consider. Federal law, and some state laws, require public agencies of all kinds to make idle facilities available to nonprofit organizations for a reduced cost. The “Shopping for Surplus Property” box contains information about how you can learn of vacant *federal* property available at a discount; your state may have similar resources as well.



### ***Shopping for Surplus Property***

The U.S. **General Service Administration**'s Public Buildings Service sells most federal surplus Government real estate. For information, you may call 1-800-472-1313 or request a free copy of the U. S. Real Property Sales List by writing the Consumer Information Center, Pueblo, CO 81009 or calling (719) 948-4000. Information on real property sales can be obtained through Internet at [www.gsa.gov/pbs/pr/prhome.htm](http://www.gsa.gov/pbs/pr/prhome.htm). Also, information on commercial real estate that HUD sells can be obtained through Internet at [www.hud.gov/brokers.html](http://www.hud.gov/brokers.html).

Some states also have similar laws on the books governing state and local property. New York's recent charter law requires the state and school districts to make lists of surplus property available to charter schools.

(New York Charter Law, Page 8, Section 2853(3)(c), available at [www.nycharterschools.org](http://www.nycharterschools.org))

***Employers.*** More and more charter schools are persuading employers to help them build or renovate a facility on or near the employers' property. Though most state charter laws do not allow a charter school to set aside student seats for children of a particular company's employees, many businesses still find it advantageous to have a nearby public school associated with the company. In return, they may be willing to provide a building, provide funds for a building, or guarantee a loan taken out by the school. And they can provide linkages to business activities that can be educational. In Florida, for example, schools-in-the-workplace are burgeoning in regular districts as well as charter schools, which *are* allowed to set aside student slots for employees' children. So-called “satellite” schools exist in a zoo, a vacation resort, a large hotel, an Air Force base, Disney World, and Universal Studios.

Public Impact for Charter Friends National Network



**Museums.** Charter schools housed in museums are increasingly common across the country. In addition to solving the facilities problem, these partnerships of course create extraordinary educational opportunities for the students. See the box “Museums of Learning” for examples.



### **Museums of Learning**

The **Flagstaff Arts and Leadership Academy (FALA)** in Arizona is located on the grounds of the Museum of Northern Arizona (MNA) (<http://www.musnaz.org/>). MNA collects and displays objects relating to Native American art and history, natural science, and contemporary art. Where appropriate, its art and science exhibitions are integrated into FALA’s curriculum. School lessons are centered within six 28-by-60 foot modular classrooms, but the museum shares its entire 400-acre campus with FALA’s students and faculty.

FALA’s charter was granted in January of 1996, but did not yet have a site for the school. Its founder, Karen Butterfield, looked at a 10,000 square foot facility in a shopping center, which she determined was not an ideal environment for a high school. She also considered finding investors to purchase property and then leasing modular classrooms. But, finding a workable site proved difficult, and postponing the charter school for a year seemed imminent. A day after the charter was officially approved, Butterfield proposed her idea of having MNA host the school and sharing the school’s modular buildings for summer outreach programs. Soon thereafter, the proposal was approved and FALA had a home. Butterfield believes that this innovative partnership helped the school raise much needed start-up funds, including double the average stimulus money for Arizona charter schools.

Source: “Museums and the Charter School Movement,” *Museum News*, September/October 1998

The **Henry Ford Academy of Manufacturing Arts & Sciences** (<http://www.hfacademy.org/>) in Dearborne, Michigan is located on the premises of Henry Ford Museum and Greenfield Village. However, unlike FALA (featured above), the Henry Ford Academy was actually born out of the museum itself.

Even before Michigan’s enacted its charter school law in 1993, the Henry Ford Museum’s leadership started focusing increased attention and resources on an expanded educational mission. During the school’s planning phase, it was decided that a school would be developed on the grounds of the museum using start-up money committed by the Ford Motor Company Fund. The architect’s design process emphasized participant involvement, linking the built environment with the curriculum and incorporating existing resources as much as possible. Building on the museum’s existing facilities—a cafeteria, rest rooms, auditorium, and pool—allowed planners to envision a 400-student high school for a fraction of the typical cost.

The rest of the school is located in Greenfield Village, where farms, fields, and historic structures of the village will be the focal point for formal education. Non-historic structures such as an old restaurant and arcade are being converted into learning studios, project rooms, staff offices, and a cafeteria. Eventually, some historic structures will be converted for use by the academy students as well as museum visitors and summer camp participants.

Source: “Museums and the Charter School Movement,” *Museum News*, September/October 1998

**Community colleges and universities.** Colleges and universities in your area may well have perfect space for classrooms, common activities, media centers, recreational facilities, and other needs — and this space may be sufficiently idle that you can make a deal. Housing your school within such an institution may also offer programmatic advantages, as the profile in the “Making the Community College Connection in Arizona” box illustrates.



### ***Making the Community College Connection in Arizona***

The **Arizona Agribusiness and Equine Center** is a 300-student charter school in Arizona that is housed in two Phoenix-area community colleges — South Mountain and Paradise Valley. With a focus on agribusiness, Arizona’s second largest industry, the school’s high school students have access to courses in biotechnology, animal science, natural resources, and a core college prep sequence that integrates the agribusiness emphasis. The links to the community colleges provide more than access to excellent facilities, with the full range of science labs and technology needed for the school’s unique focus. The community colleges also offer college-credit courses for the school’s students; classes of interest to parents; and a faculty pool that can teach classes at the charter school on a course-by-course basis, simplifying the school’s hiring needs.

\*\*For more information contact Linda Proctor Downing at (602) 243-8004.

## ***Lever 3: Minimizing the Cost of Financing***

Pursuing strategies like those outlined in the previous section have helped schools afford suitable facilities, but most schools still end up financing some portion of their facilities costs through loans or long-term leases that incorporate the costs of renovations or construction. How have schools held down these costs?

First, it’s helpful to understand why charter schools often end up paying high rates for their loans and leases. Having a handle on these factors can point you toward strategies for minimizing their consequences. See the box, “Why Charter Schools Pay More,” for a list of the key factors. While the strategies in this section can help abate those factors, they cannot make them go away. Without drastic changes in public policy, charter schools are unlikely to end up with the same financing opportunities conventional school districts enjoy. As a result, it’s important for charter school leaders to avoid “the expectations gap” — hoping you can obtain financing on terms available to school districts when in fact you’ll face a much different situation.

With those factors in mind, take a look at four sets of strategies charter schools across the country have used to keep costs down: being a smart consumer, seeking out low rates, abating risk, and looking for revenue-generating opportunities.

### **Being a Smart Consumer**

The element you control most fully is how “smart” a consumer you are in the financing process. Here are some helpful tips:

***Shop!*** The first advice that many experienced charter schools offer: be sure to shop around, considering multiple possible sources of financing. The first or most obvious deal you encounter may not be the best. See the box “Some Sources of Financing” for some categories the main Public Impact for Charter Friends National Network

+

options fall into, and the Appendix for more information about specific sources. When shopping, schools naturally focus on the bottom line — the rate they’ll be charged on a loan or lease. It’s important, though, to look more broadly at deals, also considering such factors as:

- ✓ *Fees and other expenses:* Interest or lease rates are often not the only costs of financing — consider any up-front or ongoing expenses that go along with particular deals.
- ✓ *Payment schedule:* Does the proposed repayment schedule work in light of your expectations about cash flow? Consider the schedule on which you expect to receive your per-pupil funding or other critical resources.
- ✓ *Prepayment terms:* What penalties do you face, if any, for paying off the loan or terminating the lease before the agreed-upon time? If you think you may want out early (because you’ll want to move to a larger / more suitable space or you expect to obtain more favorable financing after a few years’ track record) make sure you understand what you’ll be required to do to escape.

***Give yourself time.*** To the extent possible, give yourself time to find, finance, and renovate or construct your facility. You may not have much choice, but if you do, stretching out the timeline can make a big difference. A longer timeframe gives you the space to shop around. It prevents you from having to accept a bad deal because it’s the only deal. It minimizes the impact problems that inevitably arise in the process of construction and renovation. It leaves you more time to meet the myriad zoning and code requirements you will face. And it avoids the need to pay contractors and others a premium for fast work. However, keep the timeline short between when your payments start and when revenues flow from student attendance.

***Be willing to “cobble.”*** Though many charter school operators hope for a silver bullet that will meet all their financing needs, much more common is a process of cobbling together multiple sources of financing. Such arrangements are complicated, of course, but often they offer the best overall deal. In reviewing the list in the “Some Sources” box, think about ways to combine your potential resources into a favorable package.



## Why Charter Schools Pay More

Many factors go into the rate charged for financing by “the market.” On many of these factors, charter schools face built-in disadvantages:

**Cash flow:** First and foremost, investors are interested in knowing whether a borrower will generate sufficient cash flow to carry out its business *and* make loan or lease payments on time. In most charter states, though, charter schools do not receive full per-pupil funding; in particular, they do not typically receive per-pupil facilities funds. As a result, cash flow is often tight. Furthermore, if the school is a start-up, investors have no track record with which to test the reality of your projections. Even though you have a charter, it’s only as good as the number of students you actually enroll.

**Access to tax-exempt financing:** When school districts finance facilities, they generally do so by issuing bonds that are tax-exempt. Since investors do not have to pay income taxes on the interest they earn, they are willing to charge a lower interest rate on these bonds. Charter schools often have difficulty tapping tax-exempt financing. The legal picture in their states may be unclear regarding whether charter schools are eligible for such financing, the costs associated with pursuing this option may be prohibitive, and the risks associated with charter schools may appear too great for the typical tax-exempt investors.

**Uncertain futures:** School districts also obtain favorable rates because they are virtually guaranteed of being in existence next year (and the next and the next). Charter schools, by contrast, can be shut down if they fail to deliver results. Investors will tend to charge higher rates because of the uncertainty inherent in charter schools’ existence, especially when renewal and revocation policies are shrouded in mystery or subject to political winds.

**Value of collateral:** Though investors hope to be repaid over time by a charter school’s payments, they have to plan for the worst. If the school closes, they need some assurance that collateral will cover the school’s obligations. In many cases, though, charter schools’ collateral is weak. Schools that are leasing have little to offer in the way of collateral. And even schools that own face problems — schools require very specialized facilities that may be of little value to other inhabitants. The deal’s “loan to value” — the ratio of the loan amount to the value of the collateral — may be too high for comfort. These considerations tend to raise the cost of financing for charter schools.

**Lack of guarantors:** One reason investors regard nonprofit corporations as high-risk is that no individual is on the line financially for the enterprise’s performance. Many charter schools recruit one or more guarantors — individuals or corporations that agree to back your financing by co-signing your loan or pledging specific assets as collateral. Other charter schools, though, lack access to such deep pocket backers.

**Tight schedules:** Charter schools often face a tight timetable — receiving a charter in the spring, for example, they may seek to open the following fall. Tight timetables make it difficult to hold down costs. Your time for “shopping” and negotiating is limited, and you may be charged a premium for hurried transactions.

**Sophistication of borrowers:** Many charter leaders lack experience in the byzantine worlds of finance and real estate development. This lack of background can raise costs for two reasons. First, inexperienced borrowers may find it hard to find and negotiate the best possible deals. Second, in setting rates, investors are likely to consider the business sophistication of the borrowers, charging a premium when experience in finance and business management is weak.

**Understanding by investors:** Since charter schools are new and relatively rare, many investors do not understand them. Some may not be willing to take the time to educate themselves about key issues like charter school finance and the renewal process. They may in turn overestimate the risks associated with financing a charter school.



## Some Sources of Financing

Many different providers of financing (or institutions that help schools arrange financing) are out there. This alphabetic list contains some of the major categories; see the Appendix for contact information on specific providers.

- ✓ **Community development financial institutions:** These generally nonprofit organizations provide financing for community development initiatives, such as low-income housing, small businesses, or community facilities. Several “CDFIs” have begun providing financing for charter schools.
- ✓ **Individuals:** Individuals associated with a charter school or living in a charter school’s community are often a valuable source of financing.
- ✓ **Investment banks:** Several of the nation’s investment banks have shown an interest in helping charter schools tap major capital markets.
- ✓ **Local banks:** The bank around the corner is always worth a visit because of its community ties. If your school is in an area of town in need of development, banks may be able to fulfil their obligations under the federal Community Reinvestment Act by working with you.
- ✓ **Manufacturers of modular school buildings:** Companies that make or distribute modular buildings typically provide financing along with facilities.
- ✓ **National providers of financing:** Several national finance companies have begun financing charter school facilities.
- ✓ **Property owners and real estate developers:** Property owners commonly renovate facilities for charter schools, recouping their costs over time in lease payments.
- ✓ **Public economic and community development loan pools:** A number of cities and states have loan pools that offer low-interest financing for projects that spur economic development, especially in disadvantaged communities.
- ✓ **Tax-increment financing:** If your renovation or construction is going to raise the property value of your location, your city or town may offer “tax increment financing” (TIF) to help pay for the work. In essence, TIF allows you or your investors to hold onto some of the increased property taxes you will be required to pay as your property’s value rises. See the box “Tapping Economic Development Tools” below for an example.
- ✓ **School management companies:** Some companies that manage school operations also provide financing for school facilities.

## Seeking Out Low-Rate Options

Charter school leaders have uncovered numerous devices for lowering the rates they pay for financing. Here are some of them:

**Going tax exempt.** More and more charter schools are financing facilities using tax-exempt financing. When financing is tax-exempt, investors do not pay taxes on the interest they earn. As a result, they are willing to offer the financing at a lower rate. Charter schools have taken advantage of tax-exempt financing through two primary routes, examples of which are described in the “Tax Advantages” box:

Public Impact for Charter Friends National Network

+

- ✓ *Bond issuance through an existing authority.* Charter schools have begun to approach traditional issuers of bonds for public and nonprofit organizations. These include general bodies of government, such as cities and counties, and specialized bond authorities, such as those that issue bonds for private educational and cultural facilities or for industrial development. In some cases (Colorado and NC), these issuers are specifically authorized by law to issue bonds on behalf of schools. In other cases, they can do so under a general authorization to issue bonds on behalf of nonprofits or public agencies. Because of the fees associated with this route, this approach typically economical only for deals amounting to several hundred thousand dollars or more. If your project is this large, find out who issues bonds for educational, cultural and nonprofit facilities in your state and get in touch.
- ✓ *Direct financing.* Many charter schools have taken an alternate route — obtaining tax-exempt financing directly from a lender without going through such a conduit. The legalities surrounding this approach are complex; you will definitely need strong legal counsel to proceed. In brief, if both your attorney and the lender’s counsel are convinced that the school is eligible for tax-exempt financing by virtue of your public status, you can proceed on a tax-exempt basis. Many of the organizations listed in the Appendix are expert in this sort of financing.

***Capitalizing on tax credits.*** An alternative to tax-exempt financing is the use of tax credits for investors. If investors can obtain a substantial tax credit by investing in a charter school facility, then they are likely to require a lower rate of return from the charter school. One commonly used tax credit in the facilities arena is the federal rehabilitation tax credit, which provides a federal income tax credit of up to 20% of the cost of renovating historic buildings. Since many states have similar provisions, the credit available to investors can be upwards of 40%, a much more substantial advantage than tax-exempt financing offers. Many states have additional tax credits as well for other purposes, such as revitalizing disadvantaged communities or creating jobs. For more information about the rehabilitation tax credit, contact the National Trust for Historic Preservation at 202/588-6255 or visit The Trust on the web at [www.nationaltrust.org](http://www.nationaltrust.org).



## Tax Advantages

**Educational and cultural facilities bonds in Colorado.** To help Colorado charter schools overcome the obstacles to facilities financing, the legislature made charter schools eligible to use the proceeds of tax-exempt bonds issued by the Colorado Educational and Cultural Facilities Authority. **Liberty Common Charter School** in Fort Collins was the first charter school to take advantage of this decision. The school received an interest rate of around 7%, considerably less than it would pay for taxable financing.

Before taking advantage of the tax-exempt bond program, the school leased its facility from an investor group at market rates. In addition to its own equity, the investor group had obtained multiple loans totaling more than \$2.5 million to finance the facility. Issuance of tax-exempt bonds allowed the school to purchase the building from the investor group, consolidating the debt and lowering its facilities payments substantially.

\*\*For more information contact Peter Kast at (970) 229-9900 or pkast@frii.com

**City bonds in Chicago. Noble Street Charter School**, which is part of the Northwestern University Settlement House, is constructing a building which it expects to finance partly with \$2.5 million in 501 (c) (3) bonds authorized by the City of Chicago. These tax-exempt bonds will have a term of 25 years and a low, floating interest rate (about 3.5% in April 1999). Obtaining financing on such favorable terms is no easy process, requiring multiple approvals within city government and the payment of fees. But the school regards the deal as well worth the complications.

**Privately arranged tax-exempt financing in Rhode Island. Times<sup>2</sup> Academy** in Providence, RI, is working with Pope Building Systems to build a 30,000-35,000 square ft. modular permanent facility at a cost of \$3,000,000. The building is being financed through a tax-exempt lease/purchase agreement. Under such an arrangement, the school will eventually own the building at the end of the lease term, and investors do not pay taxes on the income they earn.

Times<sup>2</sup> Inc. is a 20-year old nonprofit that started the school focusing on math, science, and engineering for minority and low-income middle and high school students. Despite its long history, the organization needed some help in finding collateral. G-TECH, a multi-national corporation with a representative on the Times<sup>2</sup> board, stepped up to the plate, agreeing to be a guarantor for the financing.

\*\*For more information contact Ralph Taylor, Executive Director Times<sup>2</sup> Inc. and Dean of Dreams, Times<sup>2</sup> Academy at (401) 272-5094 or times2@ids.net

**Tapping public sources.** Many municipalities and states have low-interest loan pools and other financing programs for projects that help revitalize targeted areas or create jobs for residents. While these programs are not specifically designed for schools, many charter schools have found them helpful, as the “Tapping Economic Development Tools” box illustrates.



## ***Tapping Economic Development Tools***

**Minnesota New Country School** in LeSueur, MN put together a financing package for construction of a new building by using a local economic development approach. This approach included a loan from the city's Economic Development Authority, money from Tax Increment Financing (TIF), and a bank loan guaranteed by the USDA's Rural Development Program (<http://rurdev.usda.gov/agency/rhs/cf/cf.htm>).

Another worthy aspect of the project is that the building can be reconfigured for other uses if the school leaves or closes. This consideration makes the project more appealing to the investors and potential investors backing the project.

\*\* For more information see <http://mncs.k12.mn.us>

Another school that opted for the local economic development approach is **New Spirit School** in St. Paul, MN. Through a self-created non-profit corporation, New Spirit put together a financing package that included an economic development loan from St. Paul's STAR Loan Program (<http://www.ci.saint-paul.mn.us/depts/ped/star/index.html>). The loan provided the funds for acquisition and renovation of an old Catholic school. Though the STAR loan did not provide all the funds the school needed, it helped New Spirit secure local bank financing. As in many economic development loan programs, the STAR loan was "subordinate" to the bank loan – if the school failed, the bank would have the first claim on the school's assets.

\*\* For more information see <http://www.newspiritschool.com>

***Looking to community development financial institutions (CDFIs).*** One increasingly relevant form of financing for charter schools is community development financial institutions, or CDFIs. These institutions, which are generally non-profits, exist to provide financing for individuals and organizations that have trouble obtaining it from conventional sources. In addition, CDFIs also provide borrowers with technical assistance on the "business side" of their affairs, which can help open the door to other sources of financing as well. Several CDFIs, including the Illinois Facilities Fund, the National Cooperative Bank Development Corporation, and Self-Help in North Carolina, have established specialized loan programs for charter schools; many others would consider requests from charter schools. To find a CDFI in your area, visit the National Community Capital Association on the web at [www.communitycapital.org](http://www.communitycapital.org).

***Utilizing vacant public space.*** The section above on "Working a Deal" mentioned vacant public space as a potentially low-cost form of property to *purchase*, but some vacant public space may also be available for rent in your community at a low lease rate. See the box, "Making the Most of Extra Space," for an example. And refer back to the "Shopping for Surplus Property" box (above) or the Appendix for information about how to find surplus property in your area.





### **Making the Most of Extra Space**

**AppleTree Institute for Educational Innovation** created a Charter School Incubator in Washington, DC, a facility that currently houses two charter schools. AppleTree made use of the Public Facilities and Cooperative Use Act of 1976 to obtain 35,000 square feet of low-cost space. The Act requires the federal government to make surplus space available to nonprofits at a steep discount when agencies dispose of these properties. AppleTree is paying \$2 per square foot compared to the \$24 market rate, amounting to a \$3 million savings over the four-year life of the license.

To fund renovations, AppleTree competed for and received a \$680,000 Community Development Block Grant (CDBG) from the DC Department of Housing and Community Development. The incubator qualified for community development funds because of the extraordinary leverage of the low-cost license and because education is considered critical to workforce preparation.

Through the combination of the subsidy, the CDBG grant, and \$125,000 in private donations AppleTree now has a 35,000 square foot facility, where 270 students attend school, at a cost to the schools of approximately \$3.50 per square foot per year. AppleTree is home to the **Washington Math Science Technology Public Charter School** and **Cesar Chavez Public Charter School for Public Policy**.

\*\*For more information about the AppleTree Incubator call Jack MacCarthy at (202) 488-3990 or jackmacapp@aol.com

### **Abating Risk**

Even if the underlying rate of a financing source is low — for example, because it is tax-exempt financing — you may still be charged a “risk premium” in the market because charter schools are a risky proposition. For example, even charter schools that have managed to arrange tax-exempt financing are typically paying rates several points higher than what a school district would pay. How can you minimize the risks faced by your investors, thus lowering your own costs? Here are a few ideas from the field.

***Find a partner willing to back you.*** Even if your charter school is a fledgling organization, you can reassure investors through strong partnerships with more established organizations. Partnerships help address investors’ concerns in part because they deepen your management capacity. If the partner is willing to guarantee your debt or to pledge its existing assets as security, the reassurance is even more convincing. Two of the charter schools featured elsewhere in this document have utilized such partnerships. Times<sup>2</sup> Academy in Providence gained the backing of G-TECH, a multi-national corporation that agreed to guarantee the school's financing. Noble Street Charter School became part of the Northwestern University Settlement House, a long-established organization with good community relationships and existing facilities (see “Tax Advantages” box, above). Recently, dozens of community development corporations have also helped start charter schools — see the “Developing Communities” box. Many other charter schools have prospered by working closely with museums, higher education institutions, community-based organizations, municipal governments, individuals and many other partners.



### ***Developing Communities, Developing Schools***

More and more community development corporations (CDCs) across the country have begun starting or helping community residents start charter schools. Viewing education as critical to the viability of their neighborhoods, these CDCs are capitalizing on their expertise in developing facilities, building small businesses, and running programs for young people.

One of the nation's oldest and largest CDCs, Newark's **New Community Corporation (NCC)**, helped **North Star Charter School** get off the ground. NCC purchased a building for the middle school, deployed its ample real estate expertise in overseeing the renovation, and now leases the facility to the school. Financing for the project proved much simpler to obtain in light of NCC's extensive track record in the community. NCC's assistance to North Star, though, went even further. The CDC helped the school raise money, provided office space to the school before it opened, oversaw legal work and negotiations with the planning board, dispatched its technology staff to help wire the school, provided help with marketing and public relations through its wide community network. A branch of NCC even provides school meals.

NCC has recently taken its commitment to improving education for its community through charter schools to another level — the CDC received approval to open a new elementary charter school, **New Horizon Community Charter School** in the fall of 1999.

\*\* For more information about NCC's involvement in charter schools, visit [www.newcommunity.org](http://www.newcommunity.org) or contact Dale Anglin at 973-497-4410 or [dranglin@newcommunity.org](mailto:dranglin@newcommunity.org)

\*\*To learn more about CDCs or to locate CDCs in your area, visit the National Congress for Community Economic Development's website at [www.ncced.org](http://www.ncced.org) or call 1-877-44NCCED.

***Investigate public guarantee programs.*** Some existing federal and state programs guarantee a portion of the financing provided by private lenders. For example, charter schools in North Carolina and Minnesota have made use of the US Department of Agriculture's rural community facilities guarantee program (see the box "A Community Facility—Guaranteed").



### ***A Community Facility—Guaranteed***

A charter school in North Carolina used the **USDA's Community Facilities Loan Guarantee Program** (see the USDA's non-profit gateway at <http://rurdev.usda.gov/agency/rhs/cf/cf.htm>) in securing funds for renovation and working capital. The school's lender (**Self-Help**, NC's community development financial institution) was able to extend this financing because of USDA's willingness to guarantee the school's loan. The program offers an 80% guarantee on a loan if the facility is located in an area with 20,000 people or less. The USDA expects to raise this threshold to 50,000 soon.

\*\*For more information on this particular project contact Reginald Johnson at Self-Help, (919) 956-4400 or visit <http://www.self-help.org/new/lending/sh10.htm>

+

**Design your facility for alternative uses.** Where possible, consider designing your facility so that in the event you leave, the facility could be transformed for another use with minimal effort. Doing so may reduce downpayment requirements if the greater versatility allows the lender to tolerate a higher loan-to-value ratio. See the “Expecting the Best” box for an example.



### **Expecting the Best—Planning for the Worst**

**Times<sup>2</sup> Academy’s** (featured above) new building is designed to be a permanent building, but in fact, it is a relocatable, multi-story modular facility that, if need be, can be reused, relocated, or expanded for other uses. The company building the facility, Pope Building Systems in New Hampshire, designs and builds facilities for schools (public, private, and charter) with flexibility in mind. For example, in building the facility, they consider including shared common space, multipurpose rooms, gymnasiums, and other features that would appeal to occupants other than schools if for some reason the school closes. Such features also make it possible for school facilities to be used for after-school programs or as meeting space for community groups.

\*\*For more information contact Dustin Pons at (617) 426-6688, (888) 656-6688 or [dustin@ma.ultranet.com](mailto:dustin@ma.ultranet.com)

**Personal guarantees.** If individuals associated with the school are willing to pledge personal assets to back the financing, investors gain some reassurance that is independent of the charter school’s fortunes. Though a personal guarantee can create the uncomfortable situation of placing (for example) a board member’s home on the line, in some cases it is the only way to secure financing.

**Seller financing.** If you are buying a building and lack an adequate downpayment, the seller of the building may be willing to make you a loan for a part of the purchase price. If the seller is willing to take a “subordinate” lien position (i.e., be next in line behind your other investors in the event of foreclosure), the risk to your other investors is abated.

### **Looking for Revenue-Generating Opportunities**

Whatever the actual cost of the financing you obtain, you can lower your *net* costs if you can find ways for your facility to *generate revenue* for you. The most obvious way to do so is to lease or sub-lease space during the times school is not in session — perhaps during evenings, weekends, and summers. Certain types of tenants, such as before and after-school, tutoring, or adult education programs, may actually be complementary to your central educational mission. Others may simply offer much-needed cash. See the “Moonlighting” box for one interesting example.

Charter school leaders advise keeping a few things in mind when leasing out your space:

+

- ✓ *Consider compatibility.* Don't just take the first tenant who walks up with money in hand. Think about how the prospective tenant will mesh with your school. Will the tenant's presence disrupt school operations in any way? Distract students and faculty?
- ✓ *Check your laws, regulations, and contracts.* Make sure you're taking into state and local laws and regulations regarding the use of your facility. Check your lease and loan agreements for any provisions regarding taking on tenants.
- ✓ *Being a landlord can be tough.* Having tenants will inevitably divert some of management's attention from the school's core mission.



### ***Moonlighting***

**New Visions Charter School** and its affiliated non-profit organization, A Chance to Grow, took advantage of the clinical aspects of their programs to generate revenues. New Visions and A Chance to Grow developed their three clinics and expanded their services to serve the public at large on a fee-for-service basis, while continuing to serve the New Visions students for free.

\*\*For a more in-depth review about New Visions School and its experience with the facility finance challenge see the "Many Paths Lead to New Visions" box below.

## ***Lever 4: Advocating for Policy Changes***

The first three levers involve actions you can take to improve your own school's facilities picture directly. But many of the problems you and other charter schools face in the facilities arena stem from disadvantages built in to charter school laws and state school finance policies. For charter leaders interested in the long-term prospects for charter schools, a final lever is to join forces and work for changes in these unfavorable policies.

State legislatures around the country have begun to address the facilities challenge through a number of strategies, including:

- ✓ *Providing adequate revenue to cover facilities costs.* Several states now offer charter schools per-pupil revenues *beyond their operating funds* to pay for capital expenses. One state, Florida, also provides one-time up-front payments to help schools pay for buildings.
- ✓ *Giving charter schools easier access to low-cost financing.* Two states have empowered existing bond authorities to issue tax-exempt bonds for charter schools. Another option is to ensure that charter schools can issue tax-exempt debt directly.
- ✓ *Creating or stimulating finance pools for charter schools.* Chicago Public Schools and several private entities have established dedicated loan pools for charter schools.

+

- ✓ *Providing incentives for organizations to supply facilities.* Policy-makers can encourage local school districts, other governmental entities, property owners, employers, and real-estate developers to provide facilities for charter schools.
- ✓ *Considering other ways to improve the facilities climate.* Addressing investors' concerns about the short terms of charters, ensuring charter schools are exempt from property taxes, making it clear that charter schools can own facilities, and making it possible to convert existing schools to charter status would all help improve the facilities climate for charter schools.

For more information about these strategies, see the Charter Friends National Network publication *Paying for the Charter Schoolhouse: Policy Options for Charter School Facilities Financing*. This publication is available on the Friends Network's website at [www.charterfriends.org/facilities.html](http://www.charterfriends.org/facilities.html) or by contacting the Friends Network at [info@charterfriends.org](mailto:info@charterfriends.org) or 651/649-5472.

## ***Meeting the Challenge***

The ideas presented in this document are based on the experiences of dozens of charter schools across the country. Some will make sense in your context; others won't. Our hope is that you can use these stories and tools to stimulate thinking locally about strategies that will work for your school. The appendix that follows collects all of the resources mentioned in the document in one place.

Charter school facilities financing is a work-in-progress. As you read, more strategies are in creation across the country. You will add your own stories as you move forward on your own projects. If you have a compelling story you would like to share with others, or a helpful resource or tool for the field, please do not hesitate to send it to the Friends Network. As we update the facilities financing area of our website and produce additional resources, we will have ample opportunity to share your lessons widely. Your experience, unique though it is, may provide inspiration to your peers on the other side of the country.



## ***Many Paths Lead to New Visions***

**New Visions School** in Minneapolis, MN offers a full range of grade 1-8 subjects—reading, writing, language skills, math, science and social studies—plus some very important extras. Most students at New Visions need help in overcoming reading and other learning difficulties. While keeping up with their normal studies, students spend part of each day sharpening their perceptual skills in a unique program called Brain Gym. Corrective measures are built into a series of exercises and games that are stimulating and fun.

While New Visions' mission is unique, its experience with facing the challenge of finding and financing a facility resembles the experiences of many other charter schools around the country. New Visions' experience provides an encouraging example of how charter schools can overcome these challenges. New Visions' story also attests to the fact that charter schools must be creative, resourceful, determined, and draw from a variety of financing tools, many of them discussed above, rather than on one singular strategy.

New Visions raised \$4.6 million over a 2 and 1/2 year period and renovated a boarded up 40,000 square foot sheet metal plant into a 52,000 square foot community learning center. The school completed the project at a cost of about \$90 a square foot which compares to about \$125-150 a square foot that traditional school districts spend to build new schools.

During the fundraising process, New Visions' recognized that first and foremost, a charter school has to be able to demonstrate results. Without having these results, the school's leaders question whether they would have been as successful in raising the funds. Many individuals, corporations, and foundations were familiar with New Visions' program through its annual report. Furthermore, as a recognized "effective" school, it was able to successfully apply for a wide range of grants available to all school districts in Minnesota (e.g., technology grants)

New Visions also built working relationships with other community groups. For instance, being located next to the neighborhood Park Board also means that the school has a playground, tennis courts, basketball courts, hockey rink, and baseball diamonds for the school's use. However, the Park Board didn't have an indoor gym. So the school sold its gym to the Board and now pays \$1 a year to use it during the school day. The Park Board uses the gym to offer recreational activities for the neighborhood after school and in the evenings, programs that the school participates in free of charge. This deal also enabled the school to access funding for capital improvements through the Park Board's governmental status. Finally, the arrangement garnered support from the Mayor who in turn contributed funding for the project as well as general support from foundations and individuals.

The clinical nature of New Visions and its affiliate, A Chance to Grow, allowed them to develop their three clinics and expand their services to serve the public at large on a fee-for-service basis, while continuing to serve the New Visions students for free. The school has also added a therapeutic child care program and will therefore be adding an Early Childhood Special Education component to New Visions.

New Visions did rely on traditional financing to some degree; part of the \$4.6 million is \$650,000 in debt on the building. Although aware of the different national groups marketing their financing to charters, New Visions found that finding a local bank and developing a relationship with them was the most cost effective approach in its particular case. A local bank made the school a \$2.4 million bridge loan at 7.75% so renovations could begin even before the school raised all the money. The same bank provided permanent financing and has gone on to lend to other charter schools.

Overall, New Visions experience was a positive one. While every charter school's situation is unique, New Visions founder Bob DeBoer shares with his fellow charter school facility finance pioneers two principles: "have a record of documented results and to be ready for a lot of hard work. It can be done."

\*\*For more information contact Bob DeBoer at (612) 706-5512 or [bdeboer@mail.actg.org](mailto:bdeboer@mail.actg.org)  
<http://www.informns.k12.mn.us/~0287maap/cmregion/newvision/newvis.htm>

## **Appendix: Where to Go for More Information**

### **Schools Featured In This Document** (in alphabetical order)

**Arizona Agribusiness and Equine Center**, Phoenix, AZ

Contact: Linda Proctor Downing (602) 243-8004

**City On A Hill Charter School**, Boston, MA

Contact: Sarah Kass (617) 262-9838

<http://www.doe.mass.edu/cs.www/cs.cityonahill.html>

**Crown Pointe Charter Academy**, Westminster, CO

Contact: Kay May (303) 466-8468 or linkomatic@aol.com

<http://www.geocities.com/athens/olympus/9509>

**Exploris Middle School**, Raleigh, NC

(919) 834-4040

<http://www.exploris.org/ems.htm>

**The Museum School, Children's Museum**, San Diego, CA

(619) 233-5437 or (619) 233-8792

**FALA (Flagstaff Arts and Leadership Academy)**, Flagstaff, AZ

(520) 779-7223

<http://www.fala.apscc.k12.az.us/>

**Henry Ford Academy of Manufacturing Arts & Sciences**, Dearborne, MI

(313) 982-6200

<http://www.hfacademy.org/>

**Liberty Common Charter School**, Fort Collins, CO

Contact: Peter Kast (970) 229-9900 or pkast@frii.com

**Marble Charter School**, Marble, CO

Contact: Katie Updike (kupdike@rof.net)

<http://marblecolorado.org/mcs>

**Minnesota New Country School**, LeSueur, MN

(507) 665-4033

<http://mnncs.k12.mn.us>

**New Century Charter School**, Carrboro, NC

Contact: Holly Snyder (919) 942-4772 or newcentury1@juno.com

<http://nccs.home.mindspring.com>

**New Spirit School**, St. Paul, MN

(651) 484-1854

<http://www.newspiritschool.com>

**New Visions Charter School**, Minneapolis, MN

Contact: Bob DeBoer (612) 706-5512 or bdeboer@mail.actg.org

+

<http://www.informns.k12.mn.us/~0287maap/cmregion/newvision/newvis.htm>

***Noble Street Charter School***, Chicago, IL  
(773) 278-7471

***Options Public Charter School***, Washington, DC  
(202)-675-4140.

***SEED Public Charter School***, Washington, DC  
(202) 712-9134.

***St. Paul Community Learning Center***, St. Paul, MN  
Contact: Wayne Jennings, Designs for Learning at 612-649-5400 or  
wayne@designlearn.com

***Times<sup>2</sup> Academy***, Providence, RI  
Contact: Ralph Taylor (401) 272-5094 or times2@ids.net

***Wyatt Edison Charter School***, Denver, CO  
Contact: Garrett Wyman (212) 292-4527 or wyman@newyork.edisonproject.com

### **Potential Public Sources of Facilities Financing**

***USDA's Community Facilities Loan Guarantee Program***  
<http://rurdev.usda.gov/agency/rhs/cf/cf.htm>

***Community Development Block Grants***  
<http://www.hud.gov/progdesc/cdbg-st.html>

***Empowerment Zones/Enterprise Communities***  
<http://www.hud.gov/cpd/ezec/ezecelist.html>

***Hope VI***  
<http://www.hud.gov/pih/programs/ph/hope6/hope6.html>

### **Public Sources of Facility Sites and Buildings**

***General Services Administration Public Buildings Service***  
1-800-472-1313  
<http://www.gsa.gov/pbs/pr/prhome.htm>.

***Department of Housing and Urban Development***  
<http://www.hud.gov/brokers.html>

### **Other Resources**

***Foundation Center*** (information about fundraising and funders)  
<http://fdncenter.org>



+

***National Community Capital Association*** (community development financial institutions)

<http://www.communitycapital.org>

***National Congress for Community Economic Development*** (community development corporations)

(877) 44NCCED

<http://www.ncced.org>

***National Trust for Historic Preservation***, Washington, D.C.

(202) 588-6255

<http://www.nationaltrust.org>.

### **Some Sources of Financing and Financial Services for Charter Schools**

*The following alphabetical list is not an exhaustive list of all organizations providing these services. It consists of organizations that have requested to be on the list or who have been recommended for the list by charter schools. Descriptions of the organizations were self-provided, edited only minimally. The inclusion of an organization in this list should not be construed as an endorsement of the provider by the Friends Network.*

#### ***ABS School Services***

Dean Wilson

PO Box 20279

Sedona, AZ 86341

Phone: (520) 639-1281

Fax: (520) 639-1319

E-mail: [dean@abs-services.com](mailto:dean@abs-services.com)

Geographic Scope: Arizona, Texas, Florida

ABS School Services provides a wide variety of services to school districts, charter schools, private schools and federal grant schools. Some of these services include lending, consulting on school finance and budgeting, guidance on applications for grants, investment management, and facility management.

#### ***Belle Haven Investments***

James A. Swan

5 Greenwich Office Park

Greenwich, CT 06831

Phone: (203) 629-7073

Fax: (203) 629-1842

+

E-mail: swanj@bellehaven.com

Geographic Scope: National

Belle Haven is an investment banking firm specializing in structuring and closing asset backed tax-exempt bond financing for not-for-profit 501(c)(3) entities.

***Charter School Financing Alliance***

Michael B. Terry  
1375 Redwood Circle  
Grants Pass, OR 97527  
Phone: (541) 479-9521  
Fax: (541) 472-1697  
E-mail: MTerryCSFA@aol.com

Geographic Scope: National

Charter School Financing Alliance provides financial advisory services to charter school owners, operators, and their boards of directors nationwide. CSFA also works with authorizers, sponsors, state resource centers, and state departments of education in formulating capital asset and working capital financing options and policies that promote responsible growth and development of charters.

In one instance acting as a financial advisor, CSFA solely represents charters in finding the best financing terms, rates and conditions from the universe of qualified and available lenders at a specific time. We offer a process of guiding, advising and representing charter Schools for all funding requirements in what has become an increasingly complex area.

***Education Properties LLC***

Mohsin M. Amiji  
One Liberty Square 6th Floor  
Boston, MA 02109  
Phone: (617) 423-7177  
Fax: (617) 451-0674  
E-mail: mamiji@aol.com

Geographic Scope: National

Education Properties is a Boston-based national real estate company that specializes in the location, acquisition, and development of school buildings for the charter and for-profit elementary and secondary school sectors. By providing development expertise on a national scale, Education Properties can propel the growth initiatives of

+

school operators by drawing on an established network of brokers, commercial lenders and property owners to meet the need for classroom space on a timely basis.

***FM Capital***

Frank E. Miller  
FM Capital Corporation  
35300 Woodward Ave, Suite 404  
Birmingham, MI 48009  
Phone: (248) 644-4303  
Fax: (248) 644-1195  
E-mail: fmiller3@aol.com

Geographic scope: National

FM Capital's services focus on materials and equipment finance for charter schools. We have been working with charters for over 3 years now. Modular buildings, computers, furniture, office equipment, playground, kitchen, textbooks, and transportation vehicles, are some of the most popular items that schools wish to finance. We will finance virtually anything for a school, as long as it is essential. We do not finance consumable items. On a case by case basis we will consider the financing of brick and mortar construction. On a limited basis we will provide short term cash flow loans. We work with schools nationwide.

***Ferris, Baker Watts, Inc***

Adrian G. Teel, Manager of Public Finance  
100 Light Street  
Baltimore, MD 21202  
Phone: (410) 659-2564  
Fax: (410) 528-1257  
E-mail: rbrooke@fbw.com

Geographic Scope: Mid-Atlantic region

Ferris, Baker Watts, Incorporated is a full service investment banking firm providing underwriting and financial advisory services to clients throughout the mid-Atlantic region, including non-profit organizations, governmental agencies and municipalities.

Ferris, Baker Watts has served as a managing underwriter for education revenue bonds issued to refinance and restructure existing debt, finance equipment purchase, finance the acquisition and construction of new properties as well as financing capital improvements to existing buildings. The firm uses a number of financing vehicles including tax-exempt and taxable leases and bonds, fixed and variable rate debt, swap

+

options and callable and non-callable bonds to achieve a varying number of financing objectives.

***HADC***

Wendy S. Horn  
7101 Executive Center Dr. Suite 250  
Brentwood, TN 37027  
Phone: (615) 376-9995  
Fax: (615) 371-0246  
E-mail: HornW@hadc.com

Geographic Scope: National

HADC is a total facilities solutions company providing cost-effective, special-use facilities and financial solutions to charter schools and other organizations. HADC's services include: turnkey planning, financing and project management; site identification, analysis and procurement; community needs assessments and market analysis; functional facility programming, design and modeling; facility 'highest and best use' or 'adaptive re-use' analysis; facility financial modeling; and architectural design, interior design, and special space planning.

***Illinois Facilities Fund***

Jane Bilger, Director Finance and Lending  
Joe Neri, Director Real Estate Services  
300 West Adams, Suite 431  
Chicago, IL 60606  
Phone: (312) 629-0060  
Fax: (312) 629-0065  
E-mail: jrbilger@iffund.org

Geographic Scope: Chicago, Illinois

The Illinois Facilities Fund is a nonprofit community development financial institution providing financing and real estate development services to nonprofit service organizations in Illinois. The Charter School Loan Program provides financing for facility purchase, improvement, and equipment for charter schools in Chicago. Fee for service consulting for the application design and analysis is also available throughout the State of Illinois.

+

***John G. Kinnard & Co.***

Richard M. Ward, Manager  
Educational Finance Group  
Kinnard Financial Center  
920 Second Ave. South  
Minneapolis, MN 55402  
Phone: (612) 370-2580  
Phone: (800) 444-7884  
Fax: (612) 370-2572  
e-mail: rward@jgkinnard.com

Geographic Scope: National

John G. Kinnard & Co. is an experienced and innovative source of tax-exempt and taxable financing for Charter Schools. We have a successful record of raising long term capital at competitive rates for both start-up and experienced charter school enterprises. We have enabled charter school clients to acquire and renovate their current operating space and also to construct new school buildings. We are able to respond quickly to any financing inquiry and provide a number of financing options.

John G. Kinnard & Co. is full-service brokerage firm headquartered in Minneapolis and established in 1948, providing securities brokerage, asset management and related financial services to individuals and institutions.

***Miller, Johnson & Kuehn, Inc.***

John L. Grafelman  
Jay Hromatka  
5500 Wayzata Blvd  
8th Floor- Suite 800  
Minneapolis, MN 55416  
Phone: (612) 542-3604 or (612) 542-3620  
Fax: (612) 542-3566  
E-mail: jgrafelman@mjksales.com or jhromatka@mjksales.com

Geographic Scope: National

Provides long-term fixed rate facility financing. In the last year, started a national financing program and have been working with charter schools for 3 years.

+

***National Cooperative Bank Development Corporation***

<p><i>Lending:</i></p> <p>Kerinne McNicholas NCB Development Corporation 1401 Eye St. NW, Suite 700 Washington, DC 20005 Phone: (202) 336-7729 Fax: (202) 336-7804 Email: kmcnico@ncb.com Web site: <a href="http://www.ncb.com">http://www.ncb.com</a></p>	<p><i>Facility development and financial advisory services:</i></p> <p>David Nolan NCB Development Services, LLC 1333 Broadway, Suite 602 Oakland, California 94612 Phone: (510) 496-2225 Fax: (510) 496-0404 Email: dnolan@ncb.com Web site: <a href="http://www.ncb.com">http://www.ncb.com</a></p>
---	---

Geographic scope: National

NCB Development Corporation offers a range of financial products to charter schools including mortgages, equipment and leasehold improvement loans, working capital lines of credit and start-up loans. To date, loan sizes have ranged from \$75,000 - \$4.5 million. NCB Development Services, LLC is currently developing products and services to assist charter school operators, specifically through facilities development and financial advisory services.

***Pope Building Systems, Inc.***  
***Pope Finance***

Dustin M. Pons, Vice President  
8 Commerce Dr.  
Atkinson, NH 03811  
Phone: (617) 426-6688 or (888) 656-6688  
Fax: (617) 426-2669

Geographic Scope: National

**Pope Building Systems** is a design/build construction management company that provides a variety of services for charter schools, including modular construction, panelized construction, conventional construction and renovation. We also supply design and consulting services. We are basically a regional company in New England and the Mid-Atlantic States, however we are currently working with charter schools throughout the country and we will look at any project. **Pope Finance** provides financing for charter schools for construction, renovations, land acquisition and equipment. We structure leases, both taxable and tax-exempt, lease/purchases, conventional mortgages, tax-exempt bonds and more. Pope Finance is a national company.

+

***Prudential Foundation***

John Kinghorn  
751 Broad Street, 15th Floor  
Newark, NJ 07102-3777  
Phone: (973) 802-6995  
Fax: (973) 802-3345  
E-mail: john.kinghorn@prudential.com

Geographic Scope: New Jersey, Atlanta, Boston, Chicago, Denver, Houston, Jacksonville, Los Angeles, Minneapolis, Philadelphia and Phoenix

The Prudential Charter School Lending Program provides below market rate loans to support the start-up, early operations, and long-term facilities financing needs of charter schools. Short-term working capital funding may be used for a wide variety of charter school capital needs, ranging from start-up costs through continuing operating expenses. Appropriate uses include financing short-term expenses, such as salaries, equipment, supplies and facilities improvement, and providing a buffer in the school budget.

***SchoolWorks, LLC***

Matt Candler  
7511 Mariner Cove  
Cornelius, NC 28031  
Phone: (704) 895 5720  
Fax: (704) 895 7709  
Email: mcandler@att.net  
Web site: <http://www.school-management.com>

Geographic Scope: Mid-Atlantic and Southeast states, headquartered in North Carolina

Building on the educational mission of the school, SchoolWorks builds a financial support plan that matches the unique needs of the school and seeks appropriate support from: local banks, national banks, community development finance institutions, corporate partners, foundations, individuals, and government agencies.

+

***Self-Help***

Reginald Johnson  
P.O. Box 3619  
Durham, NC 27702-3619  
Phone: (919) 956-4400  
Fax: (919) 956-4600  
E-mail: [reginald@selfhelp.org](mailto:reginald@selfhelp.org)  
Web site: <http://www.selfhelp.org>

Geographic Scope: North Carolina

Self-Help is a nonprofit community development financial institution that provides loans and technical assistance to people buying homes, new and expanding businesses, and nonprofits. Self-Help provides financing and technical assistance to charter schools across North Carolina through its Community Facilities Fund. Self-Help offers loans to buy real estate or equipment, to get started with operations, and for working capital, as well as consultation on financing and real estate development. To date loans have ranged from \$25,000 to \$1.5 million.

***Sutro & Co***

Paul Collings, Vice President  
370 17th Street, Suite 1300  
Denver, CO 80202  
Phone: (800) 877-4693  
Fax: (303) 592-4925  
E-mail: [PECollings@msn.com](mailto:PECollings@msn.com)

Geographic Scope: National

The Sutro & Co. Municipal Leasing Group was formed in 1989 as a joint venture between the affiliated companies of Boston based Tucker Anthony and San Francisco based Sutro & Co. Incorporated. Since inception, the Leasing Group has completed over \$1.0 billion in private placement lease transactions in addition to underwriting over \$2.0 billion of certificates of participation. The Group specializes in the funding of real estate and equipment on a private placement basis for public entities including schools throughout the United States.