

CHARTER FACILITIES AND FINANCING

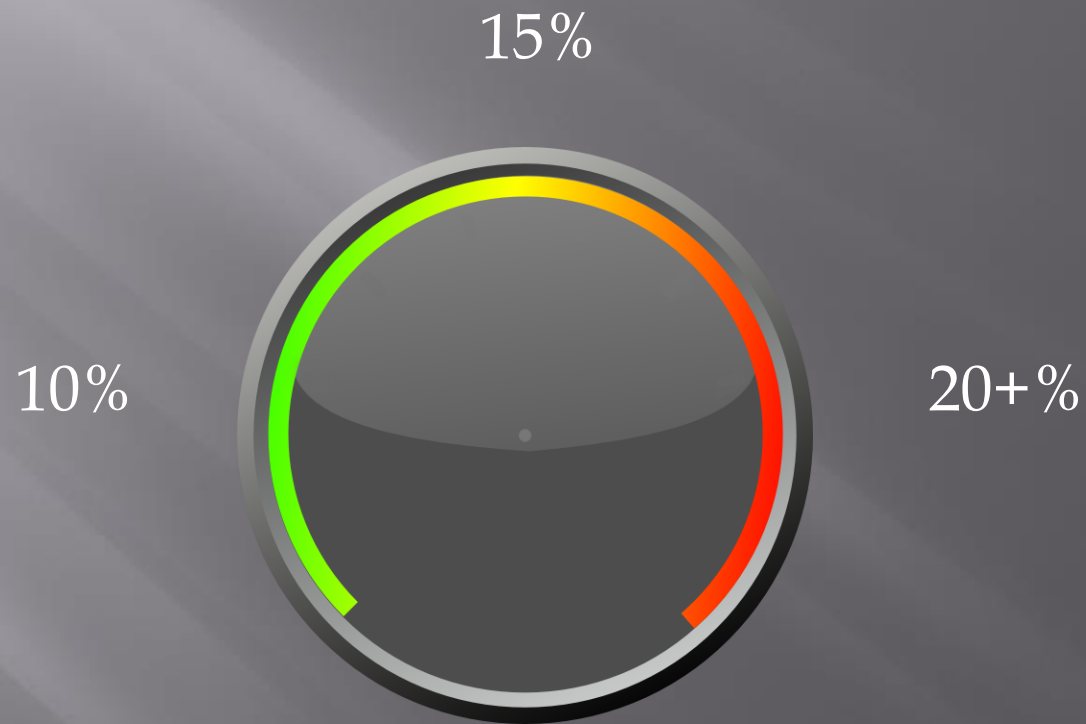
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Facilities as a Component of Budget



How Much Facility?

On average, plan for 50-75 sqft per student

Generally, the larger the school, the lower the per square foot ratio

Highly dependent on scope of program, design of building

400 Membership School=around 30k sq ft

800 Membership School=around 50k sq ft

Facility Archetype #1

- ▣ New Construction
 - \$100+ per sqft (\$8+ average per sqft, per year)
 - Most difficult to finance without 3+ Years of Operation
 - Longest lead time from planning to completion
 - Lowest long term cost
 - Highest probability of building meeting program needs

Build to Suit



Facility Archetype #2

- ▣ Pre-Existing Construction/Renovation
 - \$100+ per sqft cost (existing structure plus cost of renovation/retrofit)
 - May be less expensive as many initial costs are known
 - Medium lead time from planning to completion
 - Inherent value in existing building increases opportunity for financing
 - May require creativity/compromise on program

Renovation of Office Space

- ▣ Prior Dr. offices, campus built in pods



Facility Archetype #3

▣ Modular Buildings

- \$6-8 on average per sq ft
- Generally, easiest option to finance
- Lowest on average ongoing (usage) cost
- Shortest lead time from planning to completion
- Requires site development approval and work, infrastructure (power, water, etc.)
- Additional costs to commission and decommission
- Most schools transition out over time, impacting short term vs. long term program needs

Modulars



Facility Archetype #4

- ▣ Temporary/Shared Site
 - Cost varies and is unique to situation
 - Generally, no financing is required unless renovations/restoration to site is needed
 - Site dynamic has large impact on program

Shared Space

- ▣ School inside a temple
- ▣ Share common area
- ▣ Share labs



Facility Related Considerations Impacting Budget and Program

- ▣ Zoning
- ▣ Traffic
- ▣ Ingress/Egress
- ▣ Safety
- ▣ Parking
- ▣ Expansion
- ▣ Impact of location and type of facility

Financing Options

- ▣ Conventional Loan
 - 80-90 % Loan to Value (LTV)
 - Usually requires strong financials with 3+ years of operation, cash for 10%-20% down payment, and/or a Guarantor
 - May require additional organization (INC) as current law does not support charter school acquisition of capital assets that may increase in value
 - Current rates 2.5%-3.5% variable, 3.5-5% fixed

Financing Options

- ▣ Developer Financing
 - Financing may be tied to specific site/project
 - Most often project translates into long term lease
 - Common Area Maintenance(CAM) and lease escalator (sometimes tied to GDP) will increase cost
 - 9-10% CAP (Capitalization) rate is market standard
 - May require Guarantor

Financing Options

- ▣ Bond Offering (variety)
 - Can borrow 100%+ of project
 - Interest rates/terms based on “rating” (S & P)
 - Requires intensive review of school and project
 - Large upfront cost which may be partially added to Bond
 - Long term amortization (up to 30 years)
 - Bond becomes first in line for revenues

Financing Options

- ▣ Private and Public Charter School Capital Firms
 - Knowledgeable about Charter Schools
 - 95% of all charter schools qualify for some type of financing
 - Service includes program fee as well as “discount” on accounts receivable (school revenue), generally equates to current cost of capital (10%)

Thank You and Good Luck!

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