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Overview

The charter school community regularly encounters challenges that involve the provision of safe, adequate, and affordable facilities. Although charter schools in most states receive funding per pupil, this allocation rarely includes a dedicated amount to secure and improve facilities. During the past two decades, the charter school community has responded to facilities-related challenges by developing a variety of innovative approaches to address this ever-present concern.

The 2013 Charter School Facilities Institute Series, presented by the U.S. Department of Education through the National Charter School Resource Center (Resource Center) and its partners, recently presented a series of four webinars and related resources to help participants understand and manage the complex challenges of designing, financing, and implementing charter school facility projects.

The following four webinars were presented:

- Great School Spaces (May 29, 2013)
- Planning for Excellent School Facilities (June 5, 2013)
- Financing Charter School Facilities (June 12, 2013)
- Predevelopment and Construction Management for Charter School Facilities (June 19, 2013)
Great School Spaces

Learning is a social event, and educational spaces contribute to relationships in schools. Research indicates that the quality of facilities influences student and school performance. Students attending high-quality facilities outperform their peers in low-quality facilities by three percent to seven percent on standardized tests. Teachers are more likely to stay in schools with high-quality facilities, and better facilities correlate to improved student attendance, reduced suspensions and dropout rates, and fewer behavioral incidents.¹

Important considerations that drive much of the decision-making process on facility projects include:

- Creating facilities that support school culture and advance the school mission
- Incorporating flexibility into school design to ensure that spaces and structures can be adapted to support future preferences and priorities
- The use of elements such as color, light, texture, and materials
- Maintaining cost-effectiveness and energy efficiency

Although “great” spaces can vary widely with respect to size and character, the common characteristic that makes them “great” is that each space is designed to directly support and advance the mission and values of the school. Every color, texture, finish, and furnishing of each facility reflects the identity of the school.

It is critical that schools take every opportunity to convey to students that their school is a new and different environment that involves both increased expectations and additional encouragement and support. For instance, hallways play a large part in setting the tone and creating the culture for a school. Classrooms in which the bulk of learning happens and students spend most of the day should be organized and structured with an eye toward flexibility, simplicity, and utility. Cafeterias must serve not only as places for students to gather and eat, but also as multifunction spaces that can accommodate many types of functions. Finally, bathrooms must be planned with as much care as the rest of the facility. Although the durability of materials must be considered to reduce maintenance costs, bathrooms must be as well designed as the rest of the facility.

Planning for Excellent School Facilities

Good planning takes into account limited resources and ensures strategic application of those resources to achieve goals. Thus, setting clear goals should be the starting point for the planning of charter school facilities. Thoughtful planning can help to manage enrollment growth and change, ensure that facility funds are cost-effective and quality is high, and enable access to real estate opportunities and facility funding. Sound planning helps direct time and resources so the educational payoff is maximized, resulting in a better school, not just a better building.

Preliminary facility planning involves the following essential steps:

- Build an in-house planning team.
- Understand the process.
- Articulate a vision for the facility.
- Engage experienced help.
- Prepare educational specifications.
- Assess facility requirements and conditions.
- Prepare a feasibility analysis.

**Financing Charter School Facilities**

The Five Cs of Lending is a model that schools can use to understand the qualities lenders are looking for in a borrower. The Five Cs are

- Character
- Conditions
- Collateral
- Credit
- Capacity/cash flows

The types of loans a school will need will reflect the character of the project. Loan types include

- Construction loans
- Leasehold improvement loans
- Permanent loans
- New markets tax credits, tax exempt bonus

Construction loans are interest-only loans, typically with terms of between 6 and 18 months, the interest of which is capitalized. The term of a leasehold improvement loan corresponds with the terms of the lease and requires the lease assignment as collateral. After construction is completed or if a school is acquiring a facility that does not require construction, a school will seek a permanent loan that will have a longer term ranging between 7 and 10 years. Such loans entail maximum loan-to-value ratios, and the principal would get paid down based on an amortization schedule that may include a balloon payment.

Markets tax credits are put into place to help encourage private investment into low-income or distressed communities. If a school meets the qualifications for such credits, interest rates are lower and there is potential for debt forgiveness at approximately 20 percent to 25 percent at the end of the terms. These are complex transactions, however, with potentially high costs; consequently, such credits are not recommended for smaller loans.

The loan application preparation process can last anywhere between three months and three years. During the preapplication period, a school must build a minimum of 10 percent equity for investment and acquire construction project capacity by retaining qualified and bonded
professionals. The school must also prepare several key documents, such as academic performance data, enrollment data, three years of financial statements, current-year financial statements, and the project budget. Tax-exempt bonds are complicated and expensive to close. The interest rates are variable, but the key benefit of such bonds is they enable a school to pay down its principal completely during the term of the loan so there is no need to refinance.

Predevelopment and Construction Management for Charter School Facilities

Predevelopment is a crucial phase in the process of developing a charter school facility; it begins at the moment a site has been selected and continues until the start of actual construction. Facilities planning is the single most important business issue that a charter school is going to face, and, considering the potential for cost overruns, financial viability hinges upon smart facility planning decisions. Errors and missteps in planning and construction can significantly influence the quality and cost of a facility.

Facilities planning is expensive and time-consuming, and few charter schools have sufficient in-house human capital to manage such a project. Consequently, it is essential that a school assemble a team that can help manage the process.

A school must first establish an in-house planning team before issuing a request for proposal (RFP) for services. The team must include a planning committee with key board members and staff representatives. Specific roles and responsibilities should be communicated for all team members to minimize confusion and ensure that all parties are available to perform their roles.

Predevelopment and construction management team members should include the school owner, a project manager or owner’s representative, an attorney, an architect, consultants, and a general contractor. The types of consultants that should be included are mechanical, electrical, and plumbing; structural; civil engineers; a permit expeditor; a testing company; a Leadership in Energy and Environmental Design commissioning agent; and others as needed.

Three primary threats exist throughout the predevelopment stage: hidden conditions, which may emerge as the result of due diligence activities such as geotechnical and environmental reports, structural and property condition assessments, and land use reviews; drawing omissions; and owner decisions. To avoid cost-control problems attributable to these factors, team leaders should read executive summaries, quantify risk, provide comprehensive RFP scopes of the work, trust but verify, communicate and request input from key staff and the design team, and design with value engineering in mind.

Once construction begins, the following steps must be taken:

- Review and approve the project schedule.
- Monitor submittals and requests for information.
- Conduct weekly meetings with general contractor and consultants
  - Review project progress.
  - Address and resolve issues that arise.
- Review pay applications.
- Review change orders and scope changes.
- Oversee requirements necessary for municipalities.
- Work to obtain the certificate of occupancy.
- Oversee punch list completion.
- Oversee turnover of documents, manuals, and trainings.

**For More Information**

About the National Charter School Resource Center

The National Charter School Resource Center serves as a national center to provide on-demand resources, information, and technical assistance to support successful planning, authorizing, implementation, and sustainability of high-quality charter schools; to share evaluations on the effects of charter schools; and to disseminate information about successful practices in charter schools.

The Resource Center is funded through the U.S. Department of Education’s Charter Schools Program and operated by Learning Point Associates, an affiliate of American Institutes for Research. The contract for the Resource Center began October 1, 2009, and will continue until September 2013.