

National **Charter School** **Resource** Center

at LEARNING POINT ASSOCIATES



NOBLE **NETWORK OF** **CHARTER** **SCHOOLS**

OPERATING NOBLE STREET CHARTER SCHOOL

Short-Term Options

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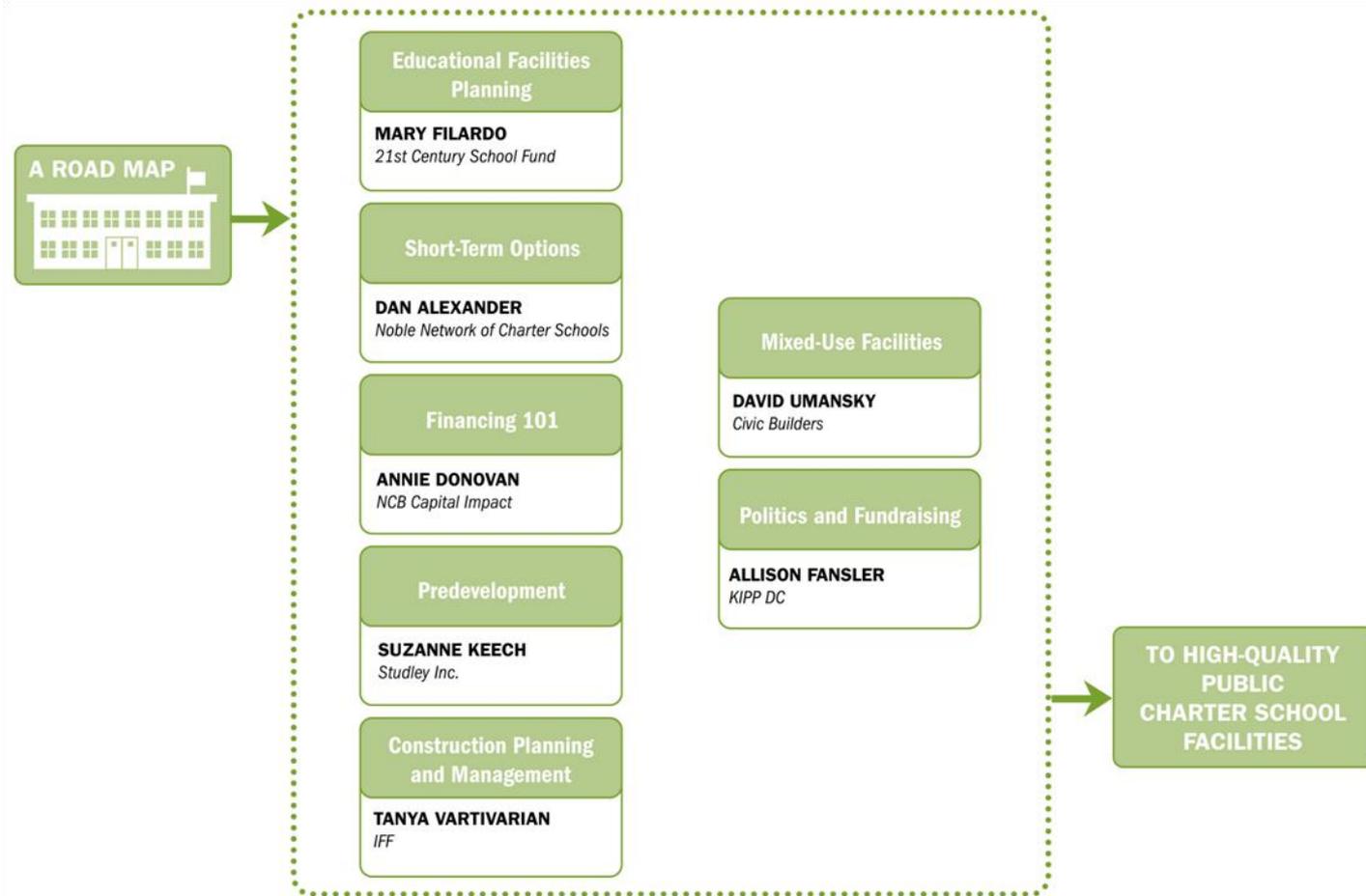
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Facilities Process Overview



Why Is Short-Term Leasing So Important?

- Any facility development project is important because the facility's utility and cost affect the school's program quality and reputation.
- A quality short-term home can be hard to find, and the time constraints make it all the more important to search and evaluate well.
- A school that has no suitable home can lose students, money, and reputation; conversely, done well, it positions the school with stakeholders for development of a permanent home.

The Key to Short-Term Leasing

- Recognize the constraints:
 - Construction budget
 - Urgent need for usable space
 - Locating viable options
- Beat the constraints:
 - Build a strong development team.
 - Assess options: linear and circular process.
 - Prioritize a creative search.

Plan Well to Beat the Constraints

- Understand that you cannot amortize the cost of significant building improvements with a short-term lease.
 - For this reason, an existing school building or similar space may be most feasible.
- Evaluate and prioritize needs.
- Commit to regular updates to stakeholders.
- Get consensus on annual facility cost.
- Be realistic about fundraising.

Assess Buildings Carefully

- Consult with experts in real estate development.
- Seek multiple unbiased assessments.
- Understand what the law requires.
- Be certain of the process and time frame for contemplated leniencies.

Whom Should You Trust?

- Licensed professionals before amateurs
 - Detailed report before oral opinion
 - Your side before the landlord
 - Voice of caution before someone who tells you what you wish to hear
 - Your own broker before someone who works for both sides
 - Yourself before the loudest board member
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Should You Pay for Planning Help?

- You cannot afford not to pay for expert help you can trust.
- Research best practices and talk with others who built successful development teams before you start searching for buildings.

Which Building Is Right For You?

- Seek a building that:
 - Is modestly sized.
 - Is in reasonable condition.
 - Can be legally occupied without great expense.
 - If the district will not provide an existing school, consider a church or similar religious building.
 - Discount the idea of new construction for a temporary home.
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Where Are the Buildings?

- Speak to those connected to nonprofits: board members, clergy, politicians, and funders to find candidate buildings.
- Consider whether owners/users of another school facility would share their facility with you.
- If you have plans for growth and will be able to pay more rent in years to come, make that situation known.

What Can You Afford?

- Only you can know. Spend time revising your statement of uses of funds, sources of funds, and your business model (your pro forma) so it is as accurate as it can be.
- Real estate development is a circular process, though its steps are linear.
- Improvement of your pro forma is an investment in good decision making.

What Is a Fair Rent?

- The market for school space is a function of:
 - The condition of the space
 - The number of classrooms/students it can accommodate
 - The demand for space by different users
- Good news: A charter school often is the most profitable tenant; what is affordable to you may be the best current deal for the landlord.

Leasing Dos and Don'ts

➤ Dos:

- Do seek several strong facility options, not just one.
 - Do have a professional put in writing what should be in writing.
 - Do have a real estate lawyer check that work.
 - Do make sure you understand the reason for every sentence in an MOU and in the lease document.
 - Do have a second facility option if possible.
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Leasing Dos and Don'ts cont'd

➤ Don'ts

- Don't be thoughtlessly debt averse.
 - Consider whether there might be inexpensive ways to make the facility function better.
- Don't be quick to believe landlords who have development expertise and offer you "turnkey" arrangements but don't suffer if you fail.
- Don't sign documents that you don't understand and that don't protect your interests.

Let's Do an Activity!

Short-Term Leasing: Key Take-Aways

- Avoid the “rush to believe in a building” syndrome.
 - Be methodical and objective in assessing all opportunities.
 - Set clear limits and expectations.
 - Figure out what you need and what you can afford.
 - Use professionals to bargain well.
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Q & A

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