

# The State of Charter School Facilities in Georgia

A comprehensive understanding and landscape analysis of facility needs across the state.

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# Georgia Charter School Facilities Background

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The State Charter Schools Foundation produced a study two years ago to analyze Georgia's charter school facilities and financing environment

Findings highlighted stark inequities:

- Georgia charter schools pay a premium for less adequate space, compared to their traditional school and national charter school counterparts.
- On average, Georgia charter schools spend 12.5% on facilities, some spending close to 20% (the national charter school average is around 8%).

Short-term solutions implemented:

- Facilities Block Grants
- Technical support for new start-up charter schools

Long-term, comprehensive solutions were still needed to improve the facilities environment and make it more equitable.

# Project Background - Transparency Project

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Through a U.S. Department of Education dissemination grant, the National Alliance for Public Charter Schools contracted the Tennessee Charter School Center (TCSC) to provide training and resources to support charter school facility solutions.

- As part of this work, TCSC engaged Georgia to deliver facilities training and support facilities needs.
- The SCSC and GCSA partnered with TCSC to conduct a facilities study. Called the “transparency project,” research study data gathered directly from charter schools on the facilities challenges that Georgia charters face to develop long-term facilities solutions.
- This project was led by Cameron Quick, a national facilities expert and veteran who has supported charters across the country for more than a decade. He has developed two separate state facility centers. Most recently in TN, which has brought over **\$140 million** in facilities resources and support to charters across the state.

# Shaping the Narrative

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Quantitative data was collected through a statewide school survey coupled with qualitative interviews and meetings conducted with stakeholders working across the sector.

## **The Numbers:**

- 72% of the state's charter schools were represented from both the qualitative and quantitative research performed.
- 30 companies created a multifaceted understanding across multiple markets and sectors playing a role in the facilities arena.

# Key Findings

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- Fragmented sector
- Technical assistance deficiency
  - Schools & Vendors
- Emerging short term financing market
- Faltering long term financing market
- Growing sector
- Limited access to traditional educational facilities
- Complicated site approval process

# Fragmented Sector

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- Most schools are single site operators
- No centralized “support” for facilities - GCSA, SCSC, RedefinED, LIIF, Reinvestment Fund, The Charter Facility Team, GA DoE, Charter School Growth Fund, SCSF, Tri-M Consultants, Colliers, etc.
  - Those listed above have individual schools or groups of schools they work with, which creates some overlap in services while leaving many to still scramble to identify solutions.

# Technical Assistance Deficiency

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## Schools:

- The facilities development process is complex. Schools have limited time and many competing priorities for their attention.
- Schools are unaware of the different financing markets they can access.
- These deficiencies create confusion and the desire to use a developer, which typically leads to higher costs.

## Vendors:

- Many vendors selected based on past relationships or connections rather than GA charter experience.
- Uneducated vendors selected to be on the facility teams further compounds the issues schools face during development.
- Landlords and real estate owners are unfamiliar with what charter schools are and how they function.

# Emerging Short Term Financing Market

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Roughly \$70 million available for schools to use

Lender programs/products include:

- Loans to schools with 0 years operating history
- 100% LTV
- Leasehold improvements/tenant improvements
- Senior and subordinate lending

Additionally, schools with a longer operating history can access a bond guarantee program, providing 25 year loan terms at extremely favorable rates.

# Faltering Long Term Financing Market

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- GA charter schools have a 36% default rate (national average is 5%)
- Long term tax exempt bonds are nearly unattainable as investors consider most of them “dead upon arrival”
- Lack of access to the bond market will continue to cripple schools looking to exit developer deals that took place in the past.
- Key indicators/reasons for default came from the transition of critical/key staff and the lack of support and training provided to newer schools during their formative years.

# Growing Sector

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- The majority of the schools surveyed will not have adequate space for their anticipated enrollment.
- Most lease structures are set by 2, 3 or 5 year terms, some with options to renew- forcing schools to enter into staggered lease agreements.
- Staggered lease agreements create additional challenges to plan and prepare for one centralized campus.
- Newer or independent schools rarely identify and move into their permanent facility during their first year of operation, forcing them to address the facility challenge multiple times throughout their lifecycle.
- Most schools will transition through 2-3 sites prior to selecting and moving into their final and permanent facility.

# Limited Access to Traditional Educational Facilities

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- Similar to other charter markets, charter schools in GA have had little success in securing under-utilized or empty school district buildings.
- Lack of access to “traditional” educational spaces forces the charter sector to navigate the private market.
- While there are experts in the private real estate market, few understand the complicated challenges and requirements charter schools are faced with.
- In addition to developing the private market, developing a long term financing solution is critical to the sustainability of the sector.

# Complicated Site Approval Process

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- The site approval process and requirements are extensive and challenging to charter schools across the state.
- There are limited individuals and companies that understand the requirements set out by the state to successfully obtain and occupy an educational use facility.
- The site approval process requires input and validation from multiple jurisdictions with little to no synchronization.
  - GA DoE, AHJ, Fire Dept, etc.

How to best address the identified  
deficiencies?

# Create a statewide Facility Resource Center (FRC)

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The FRC allows for a centralized statewide platform to address the multifaceted facilities issues that occur both regionally and across the state. The Facility Resource Center will allow for continuous market evaluations to be met with customized support and solutions charter schools need to successfully navigate the facility market.

# Facility Resource Center - Role

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- Centralized hub for all aspects of facilities issues and support mechanisms throughout the state, eliminating the fragmentation across the sector.
- House and deploy any facility initiatives (both regionally and statewide)
  - Federal credit enhancement programs, foundation programs, etc.
  - Support newly authorized schools
  - Grant programs for facility support/loans
- Create facility PLC (professional learning communities) for both schools and vendors to strategize and address facility issues.
- Provide training and technical assistance to current and emerging schools.
- Provide the opportunity for hands on financing support to charter schools
- Grow, mature, and stabilize the short term/early financing market
- Decrease deficiencies and grow a stable long term debt solution

# Facility Resource Center - Role

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- Educate and grow vendors equipped to support charter schools navigating the private sector
- Create a sequential and streamlined approach to addressing the GA DoE facility requirements. (no changes to the requirements, rather, a better understanding of them and the process needed to adequately complete them)
- Provide the opportunity for hands on technical assistance to schools looking to navigate the facilities process.
- Provide constant and ongoing policy support/recommendations addressing issues schools currently face, as well as issues that come up.
- Provide continual analysis on issues facing the sector.
- Create a “help desk” model to provide opportunities to support all schools.

# Facility Resource Center - Free Services

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- Trainings
- Development and launch of PLC's
- Development of short term financing markets
- Grow stable long term financing markets
- Monitor the facilities "help desk"
- Provide initial project and financial needs assessments

# Facility Resource Center - Fee for Service

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- Hands on Technical Assistance - Project Development
  - Provide in depth technical assistance and project management to schools looking to take on a facilities project. This allows the school to bring on experts to play the role of the facilities expert throughout the entire facility development process.
- Hands on Technical Assistance - Financing
  - Provide hands on support with identifying various capital markets, build out sound financial documents and loan packages, and solicit interest from multiple lenders.

# Questions?

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Contact Information

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