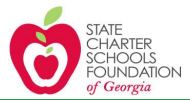


Georgia State Charter School Facility Landscape Analysis



The State Charter School Foundation of Georgia (SCSF), in conjunction with Level Field Partners, completed a statewide analysis of the charter school facility landscape to identify where state charter schools needed assistance in the pursuit of accessing high quality, affordable facilities.

Market Dynamics Impacting State Charter Schools

While Georgia charter schools operate in a market with generally pro-school choice policies, state charter schools struggle to grow enrollment and establish stability due to three interrelated market conditions that impact operations and generally relegate state charter schools to suboptimal facilities:

- 1. Limited Access to Public Spaces:** The inability to successfully access district-owned facilities limits scaling state charter schools' ability to benefit from more cost effective, publicly-supported facilities options.
- 2. Low Funding & Inconsistent Authorizer Dynamics:** The low funding environment, coupled with crowded statewide authorizing mechanics, has invited for-profit turnkey developers and capital providers who promise permanent facilities in the first years of operations.
- 3. Human Capital & Capacity Constraints:** Single-site state charter schools are unlikely to possess the in-house real estate or financing expertise to initiate and execute on cost-effective private facility strategies.

Resulting Outcomes



- Educators forced to **identify and often improve suboptimal private spaces** in order to open schools, highlighting **knowledge and capacity gap**
- Unmet need for incubation or co-location options** that would ease financial pressures faced during early years of school operations
- State charter schools forced into **suboptimal lease structures and/or costly turnkey development deals**
- Unmet need for qualified network of professional service providers** (e.g., lenders, non-profit developers, etc.) to support charter schools through their growth to financial and facility stability

State Charter School Funding & Facility Spend: Variability Driving State Charter Schools to Costly Private Facilities

State charter schools not only receive less funding than local charters and district schools due to the lack of access to local funding sources, but state charter schools also incur large annual rent or debt service payments associated with their private facility spaces.

\$8,500
per pupil

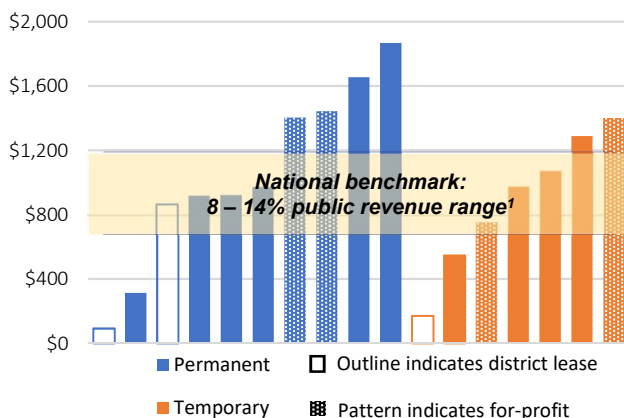
The State Charter School Commission (SCSC) reports the statewide average funding for brick-and-mortar state charter schools as \$8,500. Respondents **reported FY19 funding levels ranging from \$7,500 to \$9,400 per pupil.**

12.5%
public funding¹

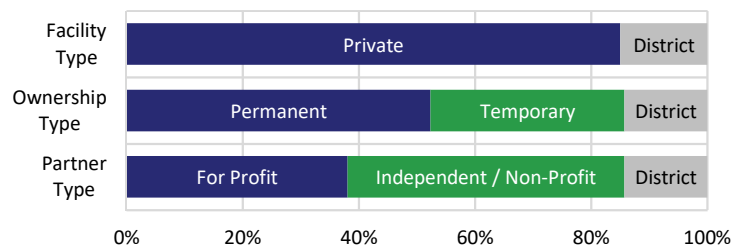
State charter schools spend 12.5% of public revenues, varying significantly by facility type:

- **4.7%** if in district leases,
- **12.6%** if in private facility developed independent / by non-profit, and
- **16.8%** if in private facility developed by for-profit.

Reported Per Pupil Facility Expense²

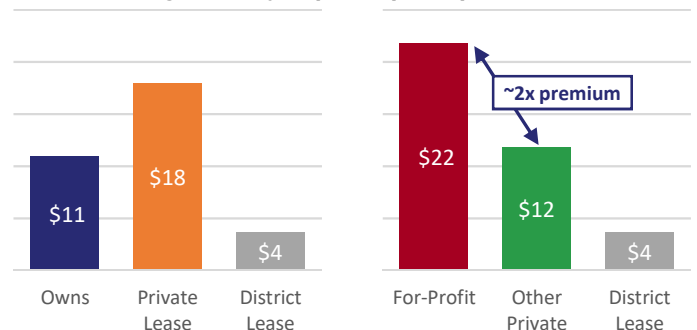


Most state charter schools are pursuing private facilities due to the lack of availability and access to district-owned alternatives.



State charter schools pursuing private facilities are **widely using for-profit developers or capital partners (50%+)**, the cost of which carries a **~2x premium**.

Average Facility Expense per Square Foot

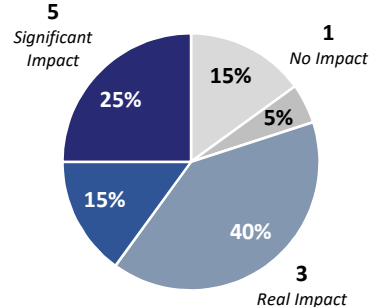


Private Facilities Lacking in Quality and Impacting Academics

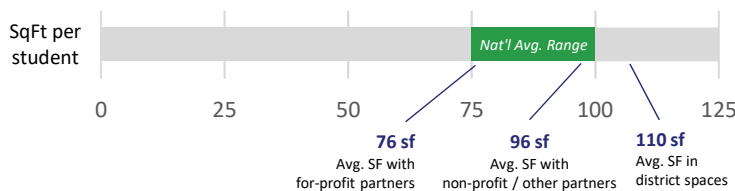
The lack of access to affordable, quality facilities has a notable impact on schools' ability to grow to full enrollment and thereby reach financial stability.

- Respondents who gave ratings of 1 or 2 either were already in a permanent facility or had the option to lease from the district.
- **100% of respondents who were not in a permanent facility or leasing from a district identified the impact as real to significant (rating of 3 to 5).**

Impact of Facilities on School Growth¹



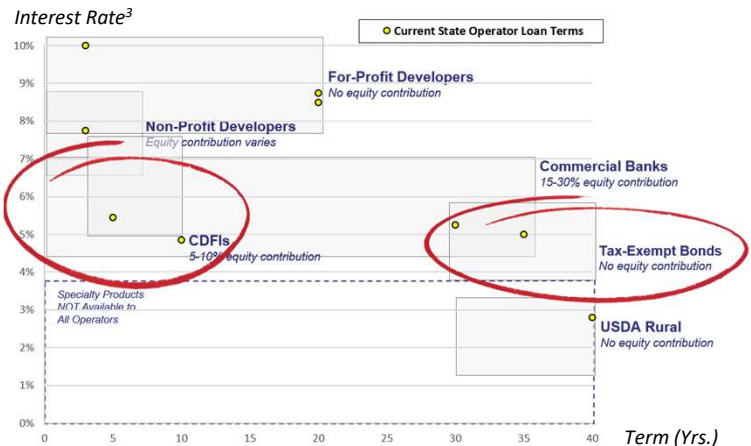
With spending in or above target affordability, state charter schools generally occupy spaces **similar to or smaller than the national square footage range** (75-100 sf per student²), meaning state charter schools are **paying more for less**.



And, **85% of respondents reported missing programmatic spaces vital to successful academic operations.**

Immature Facility Financing Market Leaving State Charter Schools with Costly Capital Choices

Given the prevalence of private facilities, state charter schools are already accessing a wide variety of debt capital; however, there is little consistency among the diverse loan products. To date, state charter schools have typically pursued financing with for-profit developers and commercial banks.



In more mature markets, facility transactions tend to cluster around more cost-effective financing options circled in red – with CDFIs being frequent partners of newer charter schools and tax-free bonds for more mature charter schools.

Improving Conditions for State Charter Schools

Supporting Legislative Efforts

- **Supporting Advocacy Groups to Fund the State Facility Grant:** The state charter community should advocate for state officials to fund the State Facility Grant program (HB430, 2017), enacted to provide public charter schools with \$100,000 block grants to fund necessary facility improvements.
- **Supporting Advocacy Groups to Expand Access to District-Owned Spaces:** As state pension and deferred maintenance costs rise and impose budget pressure on school systems, districts may seek to benefit from transactional arrangements with charter schools in order to alleviate their increasing cost bases.

Improving the Landscape of Financially Sustainable Options

- **Identifying Preferred Sources of Capital:** The charter community should work to grow a network of financial partners that have strong local ties to the state of Georgia or have proven track records lending to charter schools.
- **Pursuing Credit Enhancement for Lenders' Benefits:** There is an opportunity to explore creating a pool of credit enhancements to address potential lenders' overall credit concerns, to help cure potential appraisal-driven issues, and to provide lenders with the additional collateral required to secure the loan.
- **Cultivating the Creation of Subordinate Financing Options:** Charter advocates might explore the viability of partnering with financial institutions and philanthropic sources to establish flexible, cost-effective sources of debt to help minimize school equity while supporting projects' overall viability and affordability targets.
- **Promoting Incubation and Colocation Opportunities:** Charters would benefit from having access to affordable temporary spaces such as dedicated incubation sites or via co-locating with other charter schools where possible.

Closing the Knowledge Gap

- **Creating Network of Preferred Service Providers:** Charter schools need support in the assembly of a collaborative and motivated set of real estate and financing partners to ensure quality of service and commitment to the charter community.
- **Providing Upfront Training and Ongoing Technical Assistance:** Charter schools will still require initial training relative to "road-mapping" the facilities and financing processes, exploring incubator space, setting affordability plans, building project teams, and so on.