

Charter School Real Estate Development Process

Brailsford & Dunlavey

EdisonLearning Inc.

Nonprofit Finance Fund (NFF)

JUNE 23, 2009

Agenda



- Panel Session (45 minutes):
 - Introductions
 - Overview of the Real Estate Development Process
 1. Project Feasibility (Lender's perspective)
 2. Assembling the Development Team
 3. Project Implementation
- Breakout Sessions (30 minutes):
 1. The Money
 2. The People
 3. The Process

Introductions



■ Nonprofit Finance Fund (NFF)

- National leader in financing nonprofits, strengthening their financial health and improving their capacity to serve their communities.
- Established in 1980 and is now one of the nation's leading community development financial institutions (CDFIs)
- Provided \$170 million in loans, leveraged more than \$1 billion of capital investment on behalf of nonprofits, and provided over \$20 million in financing to charter schools
- Financial services include loans, grants, technical assistance, and workshops

■ Anne Dyjak, Chief Credit Officer and Vice President

- Oversees credit quality nationwide for NFF; manages a complement of lenders nationwide in the underwriting and structuring of loans tailored to meet client needs
- 25+ years experience in consumer and commercial lending

Introductions

■ EdisonLearning Inc (formerly Edison Schools)

- *Educational management company serving more than 250,000 public school students in over 20 states across the country and in the U.K.*
- *Whole school management partnerships with districts and charter schools; summer, after-school, and SES programs; and achievement management solutions for school systems.*

■ Tom Gannon, SVP Real Estate, Construction, and Finance

- *Edison formerly executed projects in the capacity as an owner/developer*
- *Currently operates in the form of strategic advisory services providing clients with comprehensive guidance and leadership for real estate solutions*
- *20 years experience as owner / developer / builder*
- *Has developed in excess of 3.25mm sf of charter school facilities*

Introductions



■ Brailsford & Dunlavey

- National facility planning and program management (i.e. concept development to dedication ceremony)
- Colleges , universities, independent schools, charter schools
- Educating our clients to be strong Owners and champions for their vision and mission

■ Ann Drummie, Senior Project Manager

- 8 years with B&D as an Owner's Rep
- Architecture and Engineering background
- EL Haynes PCS, Elsie Whitlow Stokes CFPCS, DC Prep, Arts & Technology Academy

Project Feasibility (Lender's Perspective)



Assessing the impact of the project on your school:

- Organizational readiness
- Financial health
- Community support
- Planned enrollment growth
- Staffing capacity and expertise
- Access to resources: project management, funding, consultants
- Funding environment
- Alignment of scope of project and school size

Project Feasibility (Lender's Perspective)



Planning tools critical for facility projects

- **Budgets:**
 - Operating
 - Project
 - Fundraising
- **Projections:**
 - Project schedule of values and sources
 - Operating cash flow projections
- **Contingency plans**
 - Project scope, phases, and budget
 - Fundraising and financing

Project Feasibility (Lender's Perspective)

Funding options

- **Capital campaign**
 - Government: City, state, federal
 - Individuals and board
 - Foundations: Corporate and Private
- **Traditional financing**
 - Pre-development
 - Bridge capital campaign receipts
 - Construction: build, rehab, renovation, leasehold improvements
 - Permanent
- **Bond financing**
- **New Market Tax Credits**

Assembling the Development Team



- I. Organizing the Charter Board
- II. Evaluating and selecting real estate, design, engineering, and construction professionals
- III. Roles and responsibility is a function of Project Delivery Methodology

Assembling the Development Team



Educational Programming

- Location Priorities*
- Charter Requirements*
- Financing Possibilities*
- Demographic Analysis*
- Available Properties*
- Initial Timeline*
- Lease vs. Purchase*

Estimating

- Land use / zoning / permitting*
- Environmental*
- MEP systems*
- BOCA / ADA / Life Safety*
- Real estate practices*
- Educational Programming*
- Gaining Site Control*

Design Management

- A/E Contracts*
- CM / GC contracts*
- Scheduling*
- Zoning*
- Budget Control*
- Value Engineering*
- Educational Programming*

Safety

- QA / QC*
- Means & Methods*
- C of O issues*
- Budget Control*
- Status Reporting*

Startup & commissioning

- Warranty & Liens*
- Final Audit & Payment*
- Punchlist & Completion*

Assembling the Development Team

I. Organizing The Charter Board

- Who is in charge and how will decisions be made?
 - **Establish a Real Estate Subcommittee**
 - Roles & responsibilities
 - Timing & frequency of meetings/decisions
 - Internal champion
 - **Assemble a Team**
 - **In-house vs. outsourced real estate expertise**
 - Program Manager
 - Board member takes lead
 - A/E

Assembling the Development Team



II. Evaluating and selecting real estate, design, engineering, and construction professionals

A. Real Estate Broker

B. Architectural / Engineering

C. Construction Manager

Assembling the Development Team



A. Real Estate Broker

- Qualifications based selection
 - experience in geographic area
 - experience across multiple market segments
 - ability to think creatively
 - patience, flexible, perseverance
- Compensation structure
- How, when, and where is the site search conducted?

Assembling the Development Team

B. Architectural and Engineering Services

Request for Qualifications (6-10)

- experience with the market segment
- AIA B305
- size of firm in relation to size, complexity, and speed of project
- flexibility of design
- willingness to understand business model

Request for Proposals (3-4)

- competitive process based on project parameters

Assembling the Development Team

C. Construction Services

Request for Qualifications (6-10)

- experience within market
- AIA A305
- size of firm in relation to size, complexity, and speed of project
- financial strength, pending litigation, quality and depth of staff

Request for Proposals (3-4)

- competitive bid process

Assembling the Development Team

III. Roles & Responsibilities:

Project Delivery Methodology

How is deal structured?

- Who is controlling the dollars?
 - Turn key lease deal
 - School as owner / owner developer

How is project structured?

- Design-bid-build
- Design-build
- Construction Manager at Risk

Project Implementation



“Even if you’re on the right track,
you’ll get run over if you just sit there.”

Will Rogers, US humorist & showman 1879-1935

- Frequently confirm responsibilities
- Consistently monitor and mitigate risk
- Continually champion your vision and mission

Project Implementation



Owner's Responsibilities

- Controlling the property
- Making educated, timely decisions
- Managing contracts
- Approving invoices
- Issuing and tracking action items
- Reviewing drawings and change orders
- Getting building permit, and other permits
- Coordinating utilities
- Managing FF&E that's "not in contract"
- Creating and closing punchlist

Project Implementation

Site Due Diligence

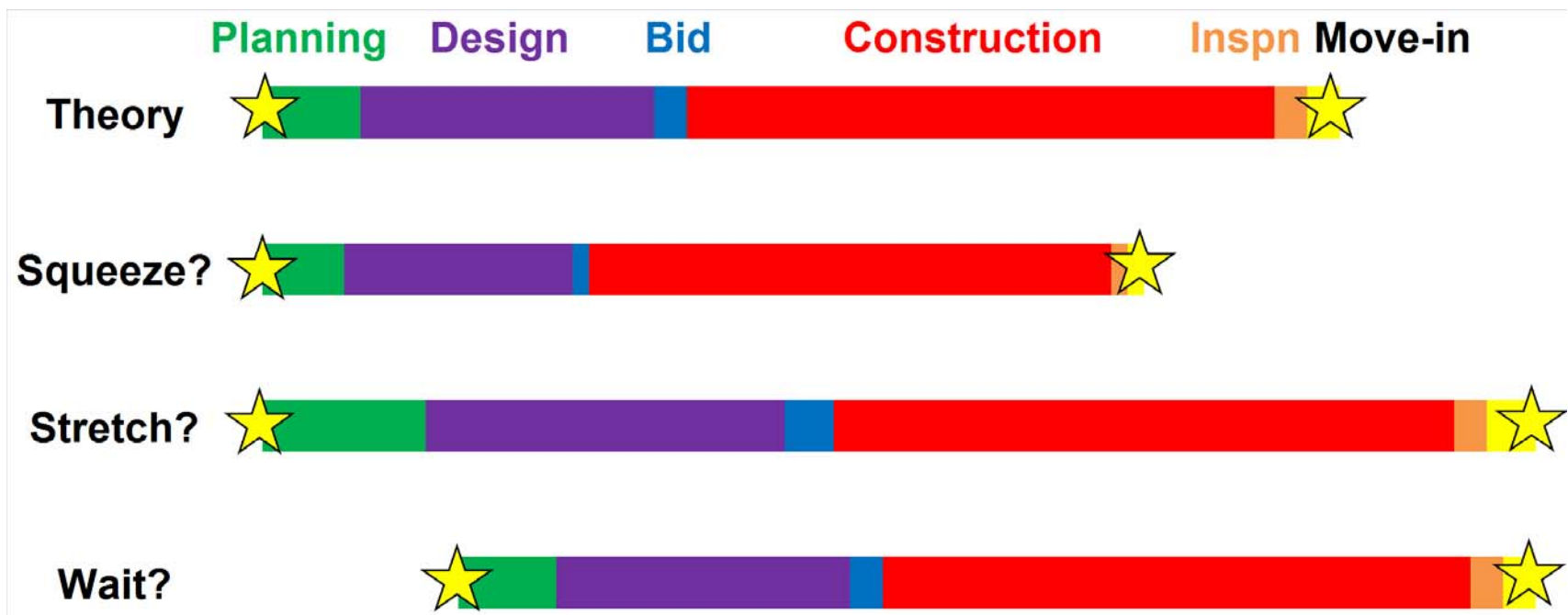
- Control (purchase, lease)
- Buildable SF

Parameter	Lot Specific Details	Calculated Impact
Zoning	C-3-A	-
Height	65 feet	-
Floor Area Ratio	Residential: 4.0 Other uses: 2.5	$18,414\text{sf} * 2.5 = 46,035\text{sf}$
Lot coverage	Residential: 75% Other uses: unclear	$18,414\text{sf} * 75\% = 13,810\text{sf}$
Rear yard	To be determined	-
Side yard	Not applicable	-
Parking	2 spaces for every 3 teachers/employees	Estimate 27 to 30 spaces

and historic views, wetlands, forest conservation, covenants...

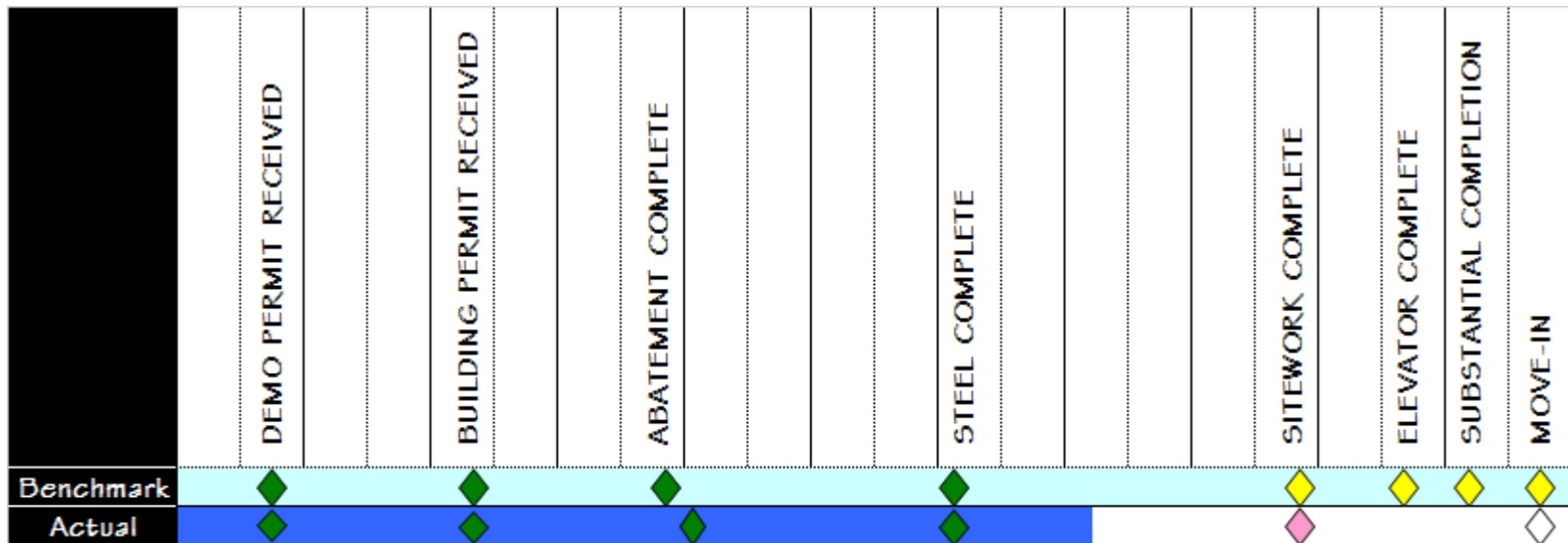
Project Implementation

Project Schedule Milestones



Project Implementation

Construction Schedule Milestones



- Do we need to make-up time?
Accelerate? Reschedule subs?
- Do we need a Plan B location for start of school?

Project Implementation

Budget Tracking

Board Approved Budget	Commitment	Invoices to Date	Remaining to Bill	Remaining Uncommitted
\$5,790,000.00	\$5,207,053.70	\$1,697,425.85	\$3,509,627.85	\$582,946.30
	90%	33%	67%	10%

- Contract negotiations
 - Does the amount align with budget?*
- Opportunity for improved quality
 - Are we past most unforeseen costs?*
- Project needs to stop
 - How much is paid out and which contracts need to be suspended or terminated?*

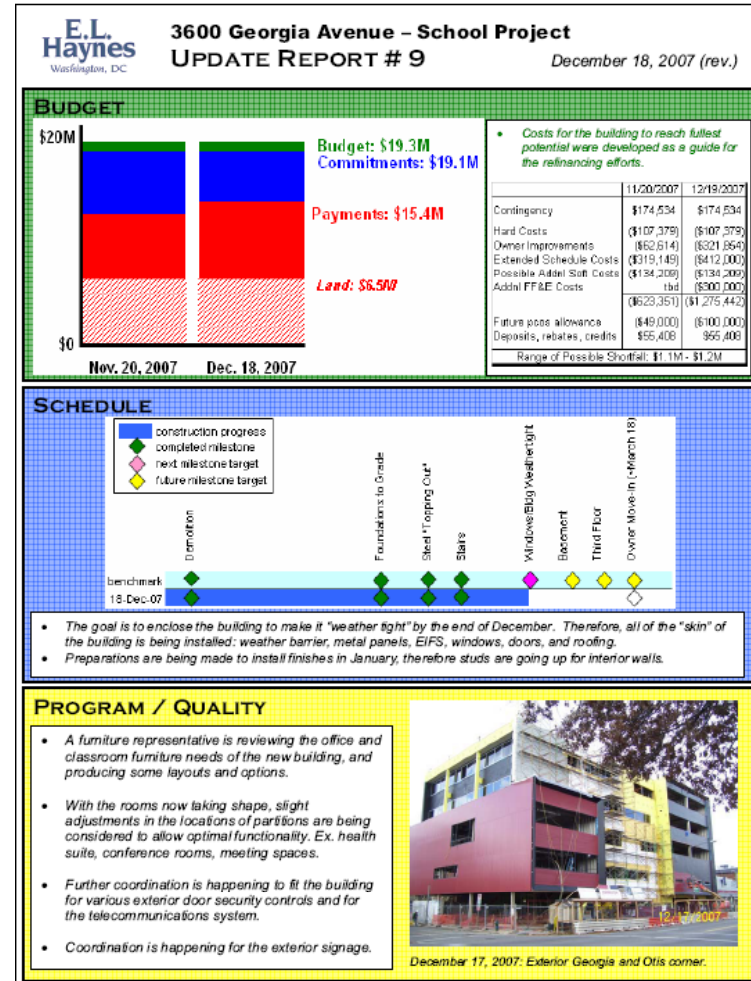
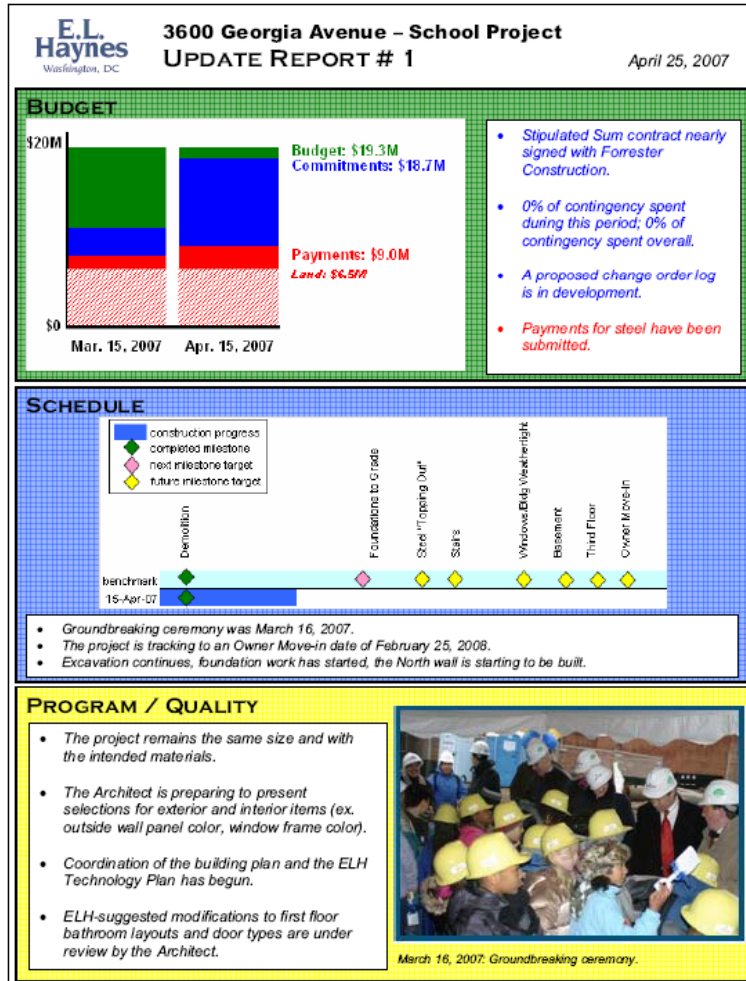
Project Implementation



Communication

- Be an active participant
- Use systems to help (web portals, monthly reports, standing meeting date/time, newsletters)
- Pause to celebrate as a team and community
 - Groundbreaking
 - Topping-out (end of steel)
 - Weather-tight
 - Occupancy
 - Dedication

Project Implementation



Breakout Sessions

1. The Money

with Anne Dyjak

anne.dyjak@nffusa.org

Challenge you on whether you're ready

Help you focus on the timing of funding decisions

2. The People

with Tom Gannon

tgannon@edisonschools.com

Highlight the need and ways to get institutionally organized

Help you assess the risks involved in the concept decisions

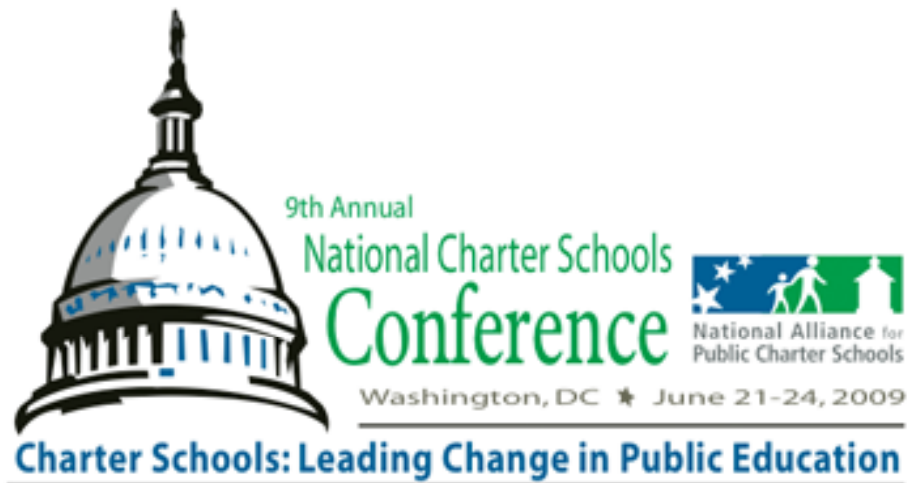
3. The Process

with Ann Drummie

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Share some tools to manage the risks

Highlight the need and ways to champion your goals



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