



Unleashing education from convention

## Minnesota Charter School Facilities – An Overview

### STATUTES THAT DEAL WITH CHARTER SCHOOL FACILITIES

Charter school facilities are addressed in two statutes - **124D.10**, the charter school law, and **124D.11**, the charter school finance law). There are four major state policies outlined in the law:

1. Charter schools **must lease space** for facilities
2. Charter schools **cannot own buildings directly** if they use public funds to purchase or build a facility,
3. Charter schools **may have an affiliated nonprofit building corporation** that owns the building and leases to the school, if the school meets certain criteria, and
4. Charter schools are **eligible for lease aid** to assist in paying the lease costs.

MN Statutes 124D.10 Subd. 17 – Leased space.

MN Statutes 124D.10 Subd. 17a. Affiliated nonprofit building corporations.

MN Statutes 124D.10 Subd. 17b- Positive review and comment.

MN Statutes 124D.11 Subd. 4 - Building lease aid

### STATISTICS – LEASED SPACE

#### 2013-2014 – [149 Charter Schools]

- Total Leased Space – over 5.2 million square feet
- Average Square Footage Leased Per School – 35,000 square feet
- Average Price Per Square Foot - \$12.40

Source: MDE

### FINANCING OF BUILDINGS OWNED BY AFFILIATED BUILDING COMPANIES

Charter School Affiliated Building companies use a variety of sources for securing funding for facility projects. However, the largest source is local government conduit financing. Since the first affiliated building company was formed in 1998, over \$380 million worth of facility financing has been done through local conduit financing.

#### LOCAL GOVERNMENT CONDUIT FINANCING – Tax Exempt Bonds \*

##### June 1, 2012 – May 1, 2014

- 12 Issuance of Local Conduit Bonds
- \$133,295,000.00
- Range of Bond Issuances - \$5 million - \$17.265 million
- Average Bond Issuance - \$11.108 million



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**Issuers** – *Baytown Township, Housing & Redevelopment Authority of St. Paul, City of Woodbury, Anoka County, City of Deephaven, City of Minneapolis, City of Ramsey and City of Forest Lake*

**December, 1998 – May 31, 2012**

- 30 Issuances of Local Conduit Bonds
- \$247,165,000.00
- Range of Bond Issuances - \$1.32 million - \$21.725 million
- Average Bond Issuance - \$8.2 million
- 1 Default – MN School of Business – *Closed, 2007 - \$6.58 million*
- 2 Technical Defaults – *1 School in Forbearance – paying interest – currently renegotiating bonds, 1 School has not responded our inquiry*

**Issuers** – *St. Paul Housing & Redevelopment Authority, Winona Port Authority, City of Northfield, City of Minneapolis, City of Woodbury, City of Ramsey, City of Vadnais Heights, Pine City, City of Falcon Heights, City of Brooklyn Park, Baytown Township, and City of Chaska*

**OTHER FUNDING SOURCES OF AFFILIATED BUILDING COMPANY FACILITY PROJECTS**

- **Local Banks** – Amount of Mortgages (?)
- **MN Nonprofit Assistance Fund** - \$3 - 4 million (*subordinate financing to bank mortgages*)
- **Capital Impact Partners** (*formerly NCB Capital Impact*) - approximately \$2.5 million in Direct Lending for Facilities
- **Charter Schools Development Corporation** – *currently financing facilities for 2 schools*)
- **Charter School Management Companies** – *Athlos, Concept Schools*

**THE MN ASSOCIATION of CHARTER SCHOOLS PROPOSAL FOR CHARTER SCHOOL FACILITIES**

- 1] **Allow for direct ownership** of facilities by **qualified charter schools**.
- 2] **Phase out Affiliated Building Companies**, transfer ownership of buildings directly to schools
- 3] Reconstitute “Lease Aid” into a “**Facilities Aid Program**” with two components – **Facilities Lease Aid** and **Asset Preservation Aid**
- 4] **Establish a Charter School Facilities Authority** with authority to issue revenue bonds for the purchase/renovation or construction of facilities by qualified charter schools
- 5] **Establish a Charter School Facilities Credit Enhancement Account** to make payments if a school defaults. Ongoing capitalization financed through a percentage of the annual loan payments of the bonds.