



Charter Housing Conundrums

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Agenda

- Group Introductions and Check in
- Facilities Conundrums
 - Providing Facilities Under Proposition 39
 - Current Trends in Facilities and Financing
- Q & A



Facilities Conundrums



Proposition 39

- Threshold requirements for Prop. 39 request:
 - Charter must be “operating in the District”
 - Charter must reasonably project it will enroll at least 80 in-District Average Daily Attendance
 - *For pending new petitions only*, charter must have submitted its petition by November 1, and receive approval to operate by March 15, of the fiscal year prior to the school year when facilities are needed





Proposition 39

- Obligation to charter schools operating in the school district regardless of whether authorizer
- Operating in the school district means currently providing public education to 80 or more in-district Classroom Average Daily Attendance ("ADA"), or having identified at least 80 in-district ADA who are meaningfully interested in enrolling in the charter school for the following year



Proposition 39 Obligations

- Must use “reasonable effort” to provide facilities near where charter desires to locate
 - District must balance and consider the interests of district students and charter school’s students
- Obligation only to charter school’s in-district students
- Conditions must be “reasonably equivalent” to those in which students would be accommodate if they were attending district schools
 - Comparison Group/Capacity/Condition



Contiguous Site Requirement

- Contained on a single school site or immediately adjacent to that school site.
- If a charter school's in-District ADA cannot be accommodated on any single school site, contiguous facilities also includes facilities located at multiple sites, provided that the District shall minimize the number of sites assigned and shall consider student safety (5 CCR 11969.2(d).)
- If cannot be accommodated on a single site District Board finding requirement



Furnished and Equipped

- “Furnished & equipped” means including all furnishings and equipment necessary to conduct classroom-based instruction (may include, furniture, vehicles, machinery, motion picture film, videotape, furnishings that are not an integral part of the building or building system, and certain intangible assets, such as major software programs)





Proposition 39 - Timelines

- Facility Process is timeline and step-driven:
 - By **November 1**, charter submits request;
 - By **December 1**, district must make any objection to enrollment projections;
 - By **January 2**, charter must respond to the objections;
 - By **February 1**, district must make preliminary offer of space to charter;
 - By **March 1**, charter must respond to offer with any objections;
 - By **April 1**, district must make a final offer
- Space must be readied for occupancy by no later than 10 days prior to the start of charter's school year (or 7 days if good cause)



December 1 - District Objections to Projections

- District must express objections to charter projections in writing on or before December 1, or it waives its right to challenge those projections
 - District must state the projections that the District considers reasonable
 - If no written objection is made, then the offer must be based on charter's projections for enrollment



Proposition 39 - Projections

- Evaluating Projections
 - Important - projections determine how much space must be offered!
 - Review charts and numbers carefully
 - Do they add up? Do they match the charter's grade level and enrollment or growth plans as stated in charter?
 - Has the charter provided a sound factual basis for the projections?
 - Common to submit "intent to enroll forms" with request
 - Scrutinize carefully – are they complete and legible; are there duplicates, is the information sufficient to determine in-district status and grade level status?
 - Are the projected students the right age for the period of enrollment?



Proposition 39 - Projections

- Other Considerations
 - *For a new charter.* May a charter signature petition be used as basis for projections to support a facility request?
 - *For a continuing charter.* Are the projections for growth in subsequent years consistent with enrollment patterns or prior year's results?
 - Keep in mind that it is in the charter's interest to over-project to get as much space as possible, especially if it anticipates a significant out of district student population
 - There is a reimbursement mechanism if space is over-allocated, but the charter must be off by a significant amount
 - What if District concludes that ADA will be less than 80?



January 2 - Charter Responds to Objections

- Charter must respond to objections by either reaffirming or modifying its projections
- If charter fails to respond by January 2, District's projections are not subject to challenge
- Statute/regs do not require district to accept reaffirmed or modified charter projection (but subject to legal challenge)



Current Facility Trends

- No reduction in Prop 39 disputes and challenges
 - Classroom Allocation/Square Footage Allocation
 - ADA Projections/Supporting Data
 - Favored/Targeted Sites
- Landlord and Oversight Agency Tensions
- Greater demands on district bond funds/measures
- More CEQA and neighborhood issues
- Funding/Finance alternatives expanding for charters
- Property Schemes



Role of Authorizer: Landlord or Oversight Agency?

- Authorizers are required to visit each charter school under its authority at least once per year.
- Lease or Facilities Use Agreement of District facilities also permit site visits.
- Site Visit best practices:
 - Develop protocol, including a checklist for visits.
 - Decide when annual site visit should occur and whether additional visits are needed.
 - If necessary, inform charter of the general time of year when visits occur, but not the specific day.
 - Determine what you want to see.
 - Let charter know what you want to see prior to visit.
 - Take appropriate staff.



Bond Measures

- Access to Bond/Voter-Approved Revenue
 - More discussion about including charter schools in bond and parcel tax measures
 - CCSA organizing/funding opposition campaigns
- Districts asking both “whether” they must/can share revenue, as well as “how”



“Not in My Backyard”

- CEQA/Environmental Review
 - The allocation of a facility to a charter is a “project” subject to CEQA;
 - Review applicability of categorical exemptions;
 - Make sure there are no unique features of the arrangement that could create environmental impacts and preclude use of exemption;
 - i.e., installation of relocatables, insufficient parking for student drivers, re-opening campus after long period of closure, change to student transportation (like cessation of busing); co-location impacts
 - Is the “closure” of a neighborhood school, for the purpose of housing a charter school, a project under CEQA?





Facility Funding Alternatives

- CA School Finance Authority Programs (www.treasurer.ca.gov/csfa)
 - Charter School Facility Program;
 - [New] PANACEA Program
 - School Facilities Incentive Grants Program;
 - Charter School Facility Grant Program (SB 740);
 - Charter School Facilities Credit Enhancement Grant Program;
 - Conduit Bond Program





Example of Property Scheme

- Imagine Schools at Imperial Valley (ISIV) located at former Sears Department Store and part of the El Centro Mall
- LLC purchased the El Centro Mall for \$3,100,000
- A month prior to the sale and during escrow LLC entered into a Prime Lease with Schoolhouse Finance, a wholly owned for-profit subsidiary of Imagine Schools Non-Profit's (national corporation) Schoolhouse Holding Company, obligating Schoolhouse Finance to pay between \$775,000 and \$1,365,059 per year for rent (51% return to owner)
- Schoolhouse Finance entered into a 20 year sublease obligating ISIV to pay base rent from \$949,900 to \$1,673,367.22 per year (\$2.21 per square foot)
- Rent charged to City for other space in the same building was \$0.85 to \$0.96/sq. ft. depending on year of lease
- ISIV also had to pay for all repairs, maintenance, taxes, and insurance, and indemnify Schoolhouse Finance for all liabilities (Triple Net Lease).
- Schoolhouse Finance also required ISIV to pay a 2% guarantor fee annually (Schoolhouse Finance profit)
- ISIV had no option to terminate the lease or purchase the facility under the agreements - only way out of the lease was if charter terminated
- ISIV by end of lease would be obligated to pay \$28,049,523 in rent, with no option to purchase the facility while bearing all risk and cost of it





Q & A

- Answers to your pressing questions!



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