



Demystifying Facility Funding and Development for Charter Schools

The Four Cs: Character – Capability – Course of Action – Capital Voodoo Questions You Must Ask

Things to ask any funder, lender, architect, builder, real estate developer, or other company that uses these two “F words.”

Facilities and Funding

Character

1. Who exactly are you? A builder? An architect? A bank? A nonprofit lender? A bond broker? A real estate agent? A real estate developer? Something else?
2. Can we have your references? No? OK . . . see ya!
3. Provide a list of lawsuits you’ve filed or had filed against you in the past five years: individually or as a company.
4. Provide the names of previous charter school-related companies you’ve been affiliated with as employee or owner.
5. Provide a list of LLCs, Single-Purpose Entities, and DBA’s you’ve created for charter school development.
6. Provide names of builders, designers, and subcontractors that have been utilized on your projects.
7. Provide your source of capital or potential source(s) of capital for our project. If you say, “it varies,” or, “we have several sources,” I still want names!

Capability

1. How many charter school facility developments have you financed and/or developed in the last three years, representing how much money?
2. Are you just a developer with no identified capital or just a funder/lender with no development capabilities? Or both . . . a turnkey developer with identified capital? Or neither? Just a builder maybe with no capital?
3. How do you qualify a school? Can you tell us how much funding we might qualify for?
4. What is your capacity in dollars and number of projects annually?
5. Tell me about a typical project for you: New build? Renovation? Student count? Lease or loan? New start or operational school? What is a typical size (building size and deal size)?
6. Can you work with new starts? Rural schools? Urban? Suburban?

Course of Action

1. What is your process start to finish? I want details.
2. When can we get a detailed timeline for our project—on paper?
3. Who looks for real estate? You? Us? A broker? How is the finder paid?
4. When do you need our board's commitment?
5. What sort of vetting do you do on our school?
6. How long until we know if this will be funded?
7. Who will build this thing? We'd like to see their resumes/company bios. We'd like to see their AIA A305, contractor's Statement of Qualification (SOQ). Do you use local contractors?
8. What is the relationship between your firm and the builder?
9. What is the contract type (delivery method)? Design/Build? Construction Management at Risk? Design-Bid-Build? Why do you use that method?
10. Can we phase construction? Or are there restrictive covenants preventing future phases?
11. Can we use the architect or builder we've been working with? (We like her, and she's done a ton of stuff for free.) If not, can they get paid?
12. If funding isn't approved, who pays the architect, engineers, etc. for their early work?
13. Who owns the building? You? Us? An affiliated foundation? Some mysterious, industrial conglomerate making baby toys in China?
14. How do you ensure compliance with any public procurement laws we might be obligated to follow (prevailing wage, RFP, etc.)?
15. What happens if our charter is revoked after we move in? Do we still pay the lease or the loan payment? Can we just run away?

Capital

1. How much should we plan to spend for a facility loan or lease payment? On what do you base that?
2. Is this a lease? A loan? Is it intended as permanent financing?
3. Do you "assemble" financing ("shop" for it), or do you have it?
4. How many other entities will be in the deal? What are the banks' or investors' names? We'd like to meet them. Seriously, I want names.
5. How do you have capital . . . Are you a bond broker? A commercial bank? A non-profit lender? A tax-paying private investor? A wealthy chap with a monocle and love of charters?
6. Do you leverage any federal or other programs like EB-5, tax credits, etc.? How does that impact approvals and schedules and cost of capital?
7. Who profits on this deal? How and when is profit realized?
8. Can we finance stuff "in" the school with you like desks, lockers, bleachers, etc.? I'd really like some sweet iPads in the deal. And outrageously expensive desks for my custodial staff.
9. What are my financial obligations? (debt coverage, interest reserves, fund balance, etc.)?
10. What are my non-financial obligations (enrollment counts, reporting, academic performance, etc.)?
11. How soon can we refinance? How long is your "hold period?"
12. Are there buyout or prepayment penalties? What are they?
13. When can we see a comprehensive proposed term sheet with rates, fees, term length, refinance provisions, etc.?
14. Is the repayment interest only? Or principal and interest?
15. Which parts of the deal are negotiable?