Purpose of Study

This report was commissioned by the Low Income Investment Fund (LIIF), a Community Development Financial Institution (CDFI) headquartered in San Francisco, with offices in Los Angeles and New York. Since 1999, LIIF has provided in excess of $100 million through more than 100 loans to support the development and operation of high quality charter schools and other educational facilities. Through its ongoing work with charter schools, LIIF has become keenly aware of the many challenges inherent in charter school facility development and financing.

To help reduce potential problems and to foster the continued development of quality educational facilities, it is critical to understand and to build upon the successes and innovations of experienced charter school leaders across the country. The identification and dissemination of best practices are core components of this work. The creative and efficient sharing of space, which mitigates the high cost of real estate and the scarcity of appropriate facilities for charter schools, is one of these recognized best practices.
This Report to the Community reviews current examples and case studies of charter schools that found that sharing space with other organizations offers a viable facilities solution. We hope that the benefits, challenges and strategies of mixed use development summarized in this report will prove useful to school operators and other stakeholders across the country.

About Mixed Use Development

Mixed use development combines multiple tenants on a single piece of property. Tenants typically use the property for different purposes, but often share certain amenities, such as recreational facilities or kitchens. This approach to land-use planning was the norm prior to World War II, but declined in popularity as more and more people left the central cities and distances between residential and non-residential properties increased.

Mixed use development has experienced a resurgence since the 1980s, as land available for development in urban areas has become scarce and the prices of real estate and gas have risen. In the context of this report, mixed use examples include combining school facilities with affordable housing developments, cultural facilities, health clinics and social service agencies.

Background on Charter Schools

Charter schools are public schools that operate under contracts, or “charters,” with school districts, county and state offices of education, and, in some states, other entities such as universities. Charter schools are tuition-free, non-sectarian and open to all students on a first-come, first-served basis. Unlike traditional public schools, charter schools are given flexibility over fiscal, operational and curricular matters. The increased autonomy is intended to enable charter schools to implement innovative practices that provide parents and students with diverse educational options.

In exchange for this flexibility and autonomy, charter schools are held to higher levels of accountability for academic performance, operational soundness and financial sustainability. They are subject to review by oversight agencies and risk the possibility of closure if they fail to meet the standards and expectations outlined in their charters. While charter schools have fiscal flexibility, they are also responsible for seeking out and paying for facilities, which consumes an average of 13 percent of their budgets. In general, charter schools must cover the costs of facilities on their own rather than having access to the dedicated funding streams that traditional public schools use to purchase, renovate or lease facilities. This responsibility places an added financial strain on charter schools, which, on average, receive less operating money than traditional public schools. According to a recent survey by the Center for Education Reform, the median revenue for charter schools is $6,000 per student, compared with $8,891 per student for traditional public schools. More than 3,600 charter schools serving over one million students currently operate in 40 states and the District of Columbia. Charter schools have been in existence since 1992; the first state charter legislation was passed in Minnesota in 1991, followed by California in 1992. Since the mid to late 1990s, charter schools have experienced double-digit annual growth as increasing numbers of states have passed laws authorizing them. The states with the highest concentration of charter schools are Arizona, California, Florida, Michigan, Ohio and Texas.
Facilities Challenges
Finding and acquiring quality facilities have been and continue to be major obstacles to charter school growth. In addition to the schools’ meager operating budgets and limited funding for capital expenditures, rising real estate prices, the lack of available land in many urban areas and the poor quality of vacant school buildings create significant challenges for new charter school operators or successful schools seeking to expand.

A recent survey by the National Association of Realtors indicates that rental costs for commercial properties have increased 4.4 percent in the past year alone, and vacancy rates have decreased from 16.8 percent in 2003 to 11.3 percent in 2006. These trends are expected to continue over the next years. In addition, as a result of global economic expansion, costs of new construction are rising. “It really gets down to the law of supply and demand, and right now, construction materials are in high demand in Asian and other overseas markets,” according to David Lereah, chief economist for the National Association of Realtors.

Most existing buildings require expensive upgrades or renovation to accommodate schools, and the majority of available existing school buildings are in poor condition. According to the U.S. Department of Education’s National Center for Education Statistics, 28 percent of all public schools were built before 1950, and 45 percent were built between 1950 and 1969.6 Other issues that contribute to the facilities dilemma include a lack of real estate development expertise on the part of charter school operators and limited access to capital. A survey conducted by LIIF in fall 2005 indicated that inexperience in facilities development is a significant challenge for charter school operators, and often hinders their efforts to secure adequate facilities.

In addition, lending institutions often perceive charter schools as credit risks, since they tend to have relatively short operating histories and are vulnerable to the threat of charter revocation. According to a recent report by the E. M. Kauffman Foundation, “Low-cost charity loans and mortgages are scarce. And on the conventional market, charter schools tend to encounter additional charges rather than discounts. Lenders and landlords, in dealing with this unfamiliar type of applicant, may naturally try to cover the perceived risk by asking for extra loan guarantees, security deposits, and/or premium rates.”7
Charter schools occupy a wide range of facilities, such as existing school buildings, churches, warehouses and commercial space.

**Types of Facilities**

Due to the scarcity of real estate options, and limited funding available for facilities, charter schools must be resourceful when seeking space. As more and more charter schools are thinking "outside the box" in their search for potential sites, mixed use facilities have begun to emerge as one innovative and often effective solution to the facilities challenge. In fact, nearly one-half of the California charter schools LIIF surveyed in 2005 reported locating in non-traditional and/or mixed use facilities.

Charter schools occupy a wide range of facilities, such as existing school buildings, churches, warehouses and commercial space. While school buildings are the most commonly used type of facilities (approximately 30 percent), many schools are housed in non-traditional sites. For example, Escuela Popular, a dual language immersion charter school serving elementary and high school students, is located in an office complex in East San Jose, California. Meanwhile, Bayshore Prep, a recently opened independent-study charter school, sited its facility in a commercial retail development outside of San Diego, California. Charter schools also locate in religious facilities, typically in urban areas. California Montessori Project’s Sacramento-based Capital Campus is situated on the second floor of Pioneer Congregational Church, which provides a convenient, centralized location in an attractive urban neighborhood.

**Mixed Use Facilities**

**Why Mixed Use?**

As the remainder of this report describes, mixed use facilities present a promising solution to the facility challenges previously outlined. By sharing space, charter schools can reduce construction management and utilities costs while maximizing the use of facilities that would otherwise remain empty during non-school hours. In addition to reducing costs and increasing efficient use of space, mixed use arrangements can also provide non-financial benefits such as unique school-community partnerships, greater parental involvement and enriched learning environments.

**Benefits of Mixed Use Arrangements**

**Maximizes usage, creates efficient use of available space.**

Charter schools that co-locate with other organizations on shared sites typically experience significant cost savings for acquisition, construction and general operating expenses. Henry Ford Academy, a charter high school in Dearborn, Michigan, located at the Henry Ford Museum, exemplifies such benefits. The school, which was created as part of a unique partnership between the Henry Ford Museum, Ford Motor Company and the Wayne County Regional Educational Service Agency, was developed for 25 percent of the cost of a typical Michigan high school. The parties involved made a commitment to redesigning the existing space rather than building new facilities, which substantially reduced construction costs. The school also saves on operating costs by sharing space (e.g., auditorium, cafeteria and bathrooms), utilities and administrative services (such as technology, marketing and payroll) with the museum.

**Increases interaction between schools, parents and community members, and strengthens neighborhood assets.**

In addition to maximizing the use of space, co-location fosters strong neighborhood and parental involvement in the school community, as well as provides opportunities for interaction between students and adult mentors. At NEW Academy, a kindergarten
through first grade charter school located in Los Angeles’ Canoga Park neighborhood, community members attend nutrition fairs, and families actively participate in school fundraising events, such as 5-kilometer runs and bake sales. NEW Academy, which opened in 2005, shares a site with Tierra Del Sol, a 119-unit, affordable housing development, as well as a two-story, 15,000-square-foot community center that provides educational, civic and cultural activities for neighborhood residents.

The entire property is owned and operated by New Economics for Women, an economic development corporation run by Latina women. The close proximity of the three developments facilitates parents taking more active roles in the school and in their children’s learning, which builds the connections between the school, the community and the students’ development. In addition, students and families have access to resources that most charter schools don’t provide, such as a full-size gymnasium, a library, after-school programs, parenting classes and financial education. This arrangement produces central assets that build community and strengthens neighborhoods.

Enhances the learning experience.

Mixed use developments can also greatly enrich the learning experience for students by creating access to a unique set of educational resources. At Henry Ford Academy, teachers promote hands-on learning by integrating museum artifacts and the surrounding outdoor facilities into the curriculum. Greenfield Village Complex, a 90-acre outdoor learning environment sited on the same property as the museum, comprises 82 buildings that showcase American history, such as Thomas Edison’s laboratory; the Wright Brothers’ bicycle shop; Noah Webster’s house; and Walnut Grove, where Civil War battles are re-enacted. Teachers utilize Greenfield Village and the museum spaces as tools to bring classroom lessons alive.

In a social studies class, students experience the impact of industrialization firsthand through direct interaction with early technological innovations. Social studies teacher Michael Flannery takes his students to an 18th-century homestead, where they create linen from flax, dip candles and use oxen to plow fields. In a math class, students put their geometry skills into practice by examining the museum’s structure and making estimates and calculations of walls, windows, ceilings and exhibit spaces.
Students at Henry Ford Academy also gain exposure to the work environment and real-world applications of classroom lessons. Through its partnership with Ford Motor Company, the school matches students with professional mentors and facilitates job shadowing opportunities and internship experiences.

**Challenges**

While the benefits of co-location are many, mixed use arrangements are not without significant challenges. Common obstacles include working with stakeholders with different perspectives and visions, establishing shared-use agreements, enforcing heightened standards for security and cleanliness, and securing financing to cover construction or renovation costs.

**Establishing common ground.**

Working with partners with different perspectives can be a slow and arduous process. NEW Academy’s greatest challenge in building out their site was working collaboratively with the Los Angeles Unified School District (LAUSD). This project presented the first opportunity for the school district to work with a nonprofit organization to develop a facility. New Economics for Women originally purchased the five-acre property and agreed to sell two acres to the school district, with the understanding that NEW would develop the school site and lease the property back from LAUSD for a dollar a year. Given the unorthodox nature of the arrangement, it took five years to negotiate a development agreement.

New Village Charter School also encountered obstacles in developing a site on the property of the St. Anne’s Maternity Home, a 96-year-old social service agency for pregnant and parenting teens. The charter school occupies a 10-classroom building owned by St. Anne’s, which was previously leased to LAUSD as an alternative school for pregnant minors. While in this case, some of the delay in securing approval to operate the school stemmed from resistance to the school’s single-sex admissions policy, the overall lesson that came from this experience was that schools must carefully consider the match between their mission and that of prospective partners. It is also important to work through differences, via a shared-use agreement, around philosophy or use of space well in advance of beginning development or construction work. Shared-use agreements typically include details such as costs for using facilities and costs for providing/receiving services such as payroll and benefits administration, accounting, security, and food service. Other issues outlined in the agreement might include how to share responsibilities for property maintenance, utilities and technology services. Given the often fixed dates for the start of the school year, the process of ironing out differences and securing district and stakeholder approval should begin as early as possible.

**Raising expectations for behavior and safety.**

Higher expectations for behavior and greater rigor regarding safety issues are other key challenges for charter schools that share space. In the case of Gabriella Charter School, this means being very vigilant about who is allowed to access the premises and ensuring that the students are well supervised so that they do not disturb the property’s residential tenants. Managing behavior and maintaining high security standards requires ongoing vigilance, but the effort has paid off. The school enjoys positive relations and good collaboration with housing residents and the surrounding community.
At Henry Ford Academy, teachers put a lot of time and energy into ensuring that students are well-behaved and classrooms are clean and organized. Since classrooms are housed within the museum and separated from the public only by clear glass walls, students are always visible. When the school first opened, teachers were surprised by the amount of time and energy required to educate students about how to behave appropriately, such as not running in public spaces, keeping voices low, keeping classrooms clean and being respectful of others. Instilling these behavioral expectations in students is an ongoing effort, part of the work required to orient each new group of students to the school culture. While these standards are to the benefit of the students in the long term, enforcing them has required extra teacher time and attention.

Finding the funds.

Despite the potential savings of mixed use facilities, renovations, upgrades or new construction can still carry a high price tag. New Economics for Women spent $25 million to build the site for NEW Academy, and four single classrooms at the Henry Ford Academy cost a total of $4 million. In both of these cases, the schools were fortunate to have strong partners with access to significant amounts of capital in the form of grants or loans. However, this is typically not the case.

Even with a compelling vision and strong support, charter schools often struggle to assemble the financing required to undertake new development projects. The Santa Monica Community Charter School in East Hollywood spent two years designing a first-class facility in partnership with the Los Angeles Free Clinic. The $12 million project, which is located on LAUSD property, has garnered tremendous community support and benefited from the expertise of top architects and planners. However, the development has yet to break ground because funding has not been secured, due in part to difficulties in combining private financing with a school-district-owned property.
Mixed use facilities can provide invaluable resources, significant cost savings and unique learning opportunities for charter schools.

**Strategies for Success**

The number of stakeholders involved, the inevitability of unforeseen roadblocks, and the complexities of real estate development can make undertaking mixed use development projects extremely challenging. Charter schools that have been successful in this arena have benefited from the following best practices.

**Seek support from people with experience in construction management, land-use planning and architectural design.**

NEW Academy’s ability to undertake and successfully complete such an ambitious project was largely a result of the strong development experience of its parent organization. New Economics for Women has been in the real estate business for years and has a long track record of success. In addition, the organization has developed close relationships with financial institutions, architectural firms and construction-management companies, all of which helped pave the way for NEW Academy.

Henry Ford Academy brought in outside expertise to assist with the planning and design process. According to school officials, Concordia, a leading architectural firm specializing in mixed use community schools, was a key partner. Their involvement was critical in helping the school map out a plan that integrated aesthetics, functionality and cost-effectiveness. For example, Concordia created a design that utilized existing materials to keep expenses down and help the school blend seamlessly into the museum environment.

While organizations with expertise in mixed use schools are not the norm, these resources are more widely available than one might think. Other design firms and resource organizations who do work in this area include Fanney/Howey Associates; Fielding Nair International; New Schools, Better Neighborhoods; KnowledgeWorks Foundation; DesignShare; New Visions, and the Council of Educational Facilities Planners International.

**Find good partners who are collaborative and share a common vision.**

In addition to bringing in strong outside expertise, Henry Ford Academy attributes much of its success to the sense of teamwork and partnership shared by all parties involved. The design and execution of the school involved a highly collaborative process in which community members, students, teachers and the business community were all actively engaged. According to Bobbie Hill, one of Concordia’s principal architects and a key member of the design team, “If all parties involved respect each other and believe that everyone has a contribution to make, you end up with a better product.”

This spirit of collaboration is also critical once the school is up and running. Sharing space successfully requires that co-tenants are communicative, cooperative and considerate of each other’s needs. At Gabriella Charter School, teachers and students enjoy a very positive relationship with their neighbors in the adjacent housing development. They attribute this largely to the respect they show their neighbors by ensuring that students are well-supervised, maintaining the landscaping on the property and providing housing residents with access to school facilities after hours.
Integrate flexibility into the planning.

Another important best practice is building adaptability into the facility design. Since a school’s needs and population size can change over time, designing spaces that can be used for multiple purposes is essential, particularly when locating in limited or shared facilities. As many experts note, “The best school designs allow for spatial flexibility. Designers and decision makers cannot lock too firmly onto any single notion of ‘school’ or to become wed to a fixed idea of what classrooms should be. Flexible, open structural systems that allow spaces to be reconfigured over time will best accommodate change.”

At Henry Ford Academy, the classrooms were all built with sinks and access to water, which provides the flexibility to easily convert any of the four rooms into an art or science classroom. The 10th-grade classroom has movable walls between learning spaces, enabling team-teaching and cooperative learning. Modular units, called “learning labs,” are also utilized to expand the variety of learning environments. For example, the 12th-grade learning labs are housed inside a cluster of passenger train cars, and group meeting spaces are configured in the adjacent railroad terminal.

Lessons Learned

As the case studies highlighted in this report illustrate, undertaking a mixed use project can be a long, arduous and complicated process that should not be entered into without significant planning and appropriate expertise. Establishing strong partnerships with a variety of stakeholders, assembling the requisite skill set and identifying sources of funding are a few of the most essential success factors. Charter schools considering this route to address their facilities needs must think through the decision carefully in light of the resources, opportunities and potential liabilities the school will likely confront. Nevertheless, mixed use facilities can provide invaluable resources, significant cost savings and unique learning opportunities for charter schools. In an era of high real estate costs and limited vacant space, this strategy may be a welcome alternative for many practitioners.
As many experts note, “The best school designs allow for spatial flexibility.”

School Profiles

Gabriella Charter School, Los Angeles, CA
The Gabriella Charter School is a Kindergarten through 5th grade dance-themed public elementary school funded and established in 2005 by the Gabriella Axelrad Education Foundation. The elementary charter school offers a challenging and innovative standards-based curriculum complemented by the focus, discipline and creativity of dance as a means of achieving excellence in the classroom. The school is located within Sheraton Townhouses, a development that includes an historic hotel that was rehabilitated and converted into 140 affordable housing units.

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Henry Ford Academy, Dearborn, MI
The Henry Ford Academy, located at the Henry Ford Museum and Greenfield Village, was developed through a partnership among the Wayne County Regional Educational Service Agency, the Ford Motor Company and the Henry Ford Museum. The school facilities were designed in collaboration with more than 100 students, parents, educators, curators, and museum and school administrators. The school opened in 1997 with 100 9th-grade students, and now serves 460 students in grades 9 through 12. The student population is 65 percent African American and 23 percent Caucasian, with approximately one-third of the students receiving free and reduced lunch. The school boasts a 98 percent attendance rate, and has test scores that are three times higher than the Detroit average.

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NEW Academy, Los Angeles, CA
NEW Academy is a new elementary school in the Canoga Park neighborhood of Los Angeles. The school opened in 2005 with the goal of relieving overcrowding from the nearby elementary school. It currently serves 400 students, and will grow to a capacity of 525. The site, which comprises 44,000 square feet of open space, a gymnasium, library, lunch shelter, kitchen and underground parking, is located on the same property as a 119-unit affordable housing complex and a two-story, 15,000-square-foot community center. The mission of NEW Academy is to create an exciting, standards-driven learning environment where students use their talents to contribute positively to their community. The school has three specific performance goals: 1) to promote student progress, 2) to (with parental participation) develop social as well as community ethics and values in the student’s character development and 3) to implement the most appropriate curriculum for every child.

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**New Village Charter School, Los Angeles, CA**

New Village Charter School, a charter high school geared to at-risk high school girls, is the first single-gender charter school in the state. The school opened in September 2006 with 37 students. It is located on the campus of St. Anne's Maternity Home, a 96-year-old social service agency for pregnant and parenting girls. The campus includes a 60-room residence for pregnant and parenting teens, and 30 apartments in a separate building for young women recently emancipated from the foster care system. Additionally, there is a child care center that can serve 120 children, ages infant to five; there is also a health care center. The charter school occupies a 10-classroom building, owned by St. Anne’s, which was previously leased to LAUSD.

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**Santa Monica Boulevard Community Charter School, Los Angeles, CA**

Santa Monica Boulevard Community Charter School is located in the East Hollywood neighborhood of Los Angeles and serves 1,400 students in pre-K through 5th grade. The majority of its population comes from first-generation immigrant families from El Salvador and Guatemala. The school, which has been in existence since 1910, converted to an LAUSD charter 10 years ago. It has been engaged in an extensive planning and design process for the past two years to replace its portables with multistory permanent classroom buildings, as well as to build an on-site clinic and library. The design process has been a collaborative effort, with active engagement from the community, including parents, students, business partners and neighborhood organizations such as the LA Free Clinic. The school is in the process of identifying sources of financing to cover the costs of the $12 million project.

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References