

Learning in 21st Century Schools
XII School Infrastructure Regional Workshop
Montevideo, Uruguay
24 to 27 October, 2017

Alternative Financing Models for School Infrastructure

United States **Public-Private Partnerships and School Community Participation:** **The J.F. Oyster Bilingual Elementary School**

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The 21st Century School Fund (21CSF) was founded in 1994 on the premise that **communities are responsible** for creating healthy, safe, and educationally appropriate learning environments.

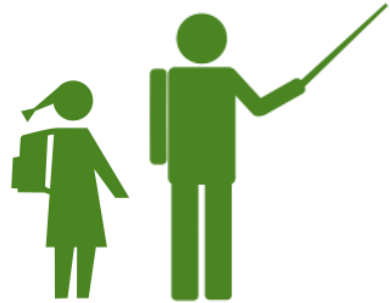
Vision: A country where **every child** learns in an educationally appropriate, healthy and safe school that serves as a community anchor and is built and maintained in an environmentally and fiscally responsible manner.

Mission: Building the **public will and the government capacity** to modernize public school facilities so they support high quality education and community revitalization.

Presentation Overview

- U.S. PK12 infrastructure
- D.C. PK12 infrastructure
- J.F. Oyster Bilingual Elementary School
- The Public Private Partnership Deal
- The Community-Lead Process for the Public Private Partnership
- Reflections on the Oyster PPP

U.S. Public School Infrastructure



50 million students
6 million adults



100,000 public schools



7.5 billion GSF
(700 million GSM)
2 million acres
(809,371 H)

stateofourschools.org

20 YEARS OF FACILITIES
SPENDING & INVESTMENT
ANNUAL AVERAGE

\$99 BILLION

CAPITAL CONSTRUCTION
PER YEAR (1994-2013)

\$49 BILLION



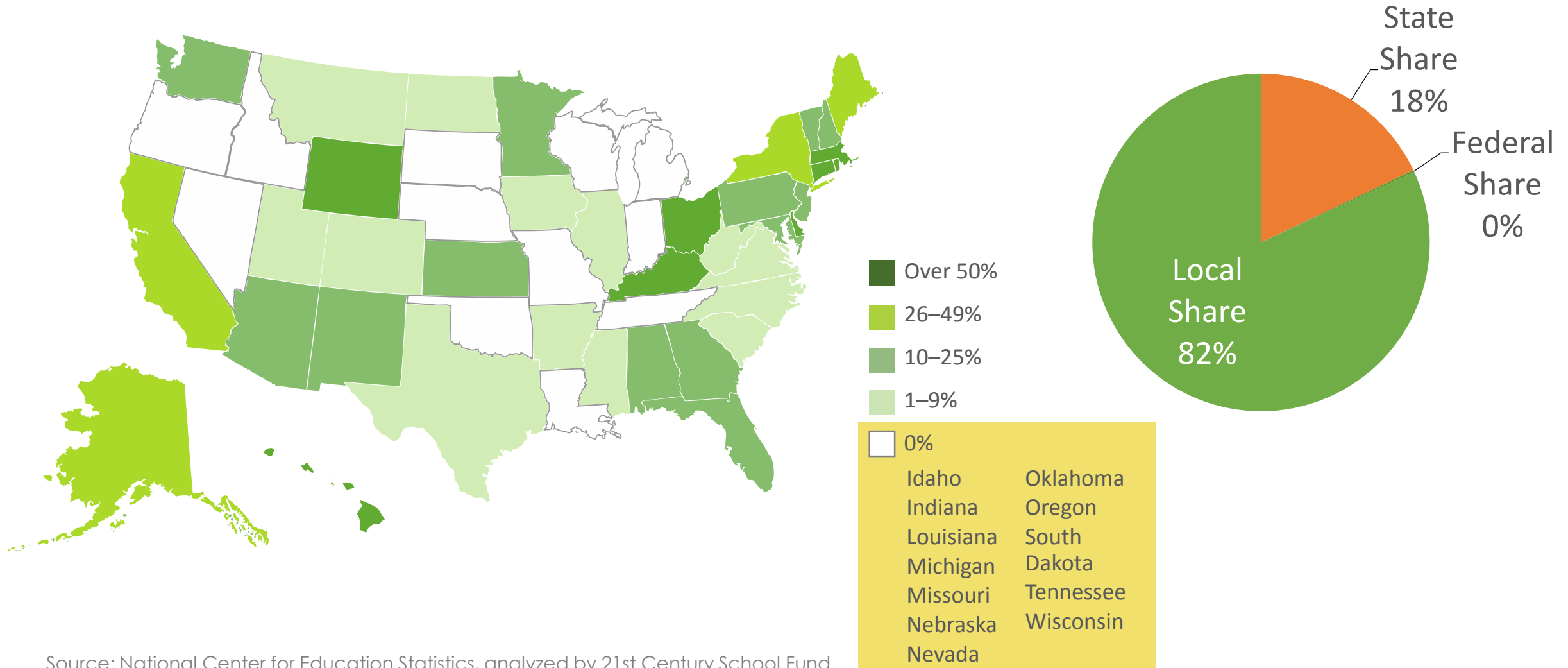
MAINTENANCE
& OPERATIONS
PER YEAR (2011-2013)

\$50 BILLION



An Inequitable System for Funding School Facilities

STATE SHARE OF FUNDING FOR CAPITAL OUTLAY, FY 1995–2013



Source: National Center for Education Statistics, analyzed by 21st Century School Fund

District of Columbia Public Schools 1994

- By-right and free public education for 5-18 year olds
- Expanding early education and special education
- 1994 enrollment of 82,000 students (down from 147,000 in 1967)
- 85% African-American and 70% low income
- 16.2 million in operating school space
- 169 schools on 700 acres of land

Condition of D.C. Public Schools 1994

- \$690 million in deferred maintenance (\$1.2 billion in current \$)
- 37% > 65 years old in 1994
- 62% > 45 years old
- 88% > 25 years old
- Only 8 schools had ever been fully renovated
- Schools under court supervision over fire code violations



Governance & Funding of D.C. Public Schools

- School funding paid from D.C. general fund, 10% federally funded
- 1994 Federal take-over of District finances, due to budget deficits
 - (\$722 million of a \$3.2 billion budget)
- No capital borrowing capacity—poor bond ratings
- City closing public schools, due to enrollment decline

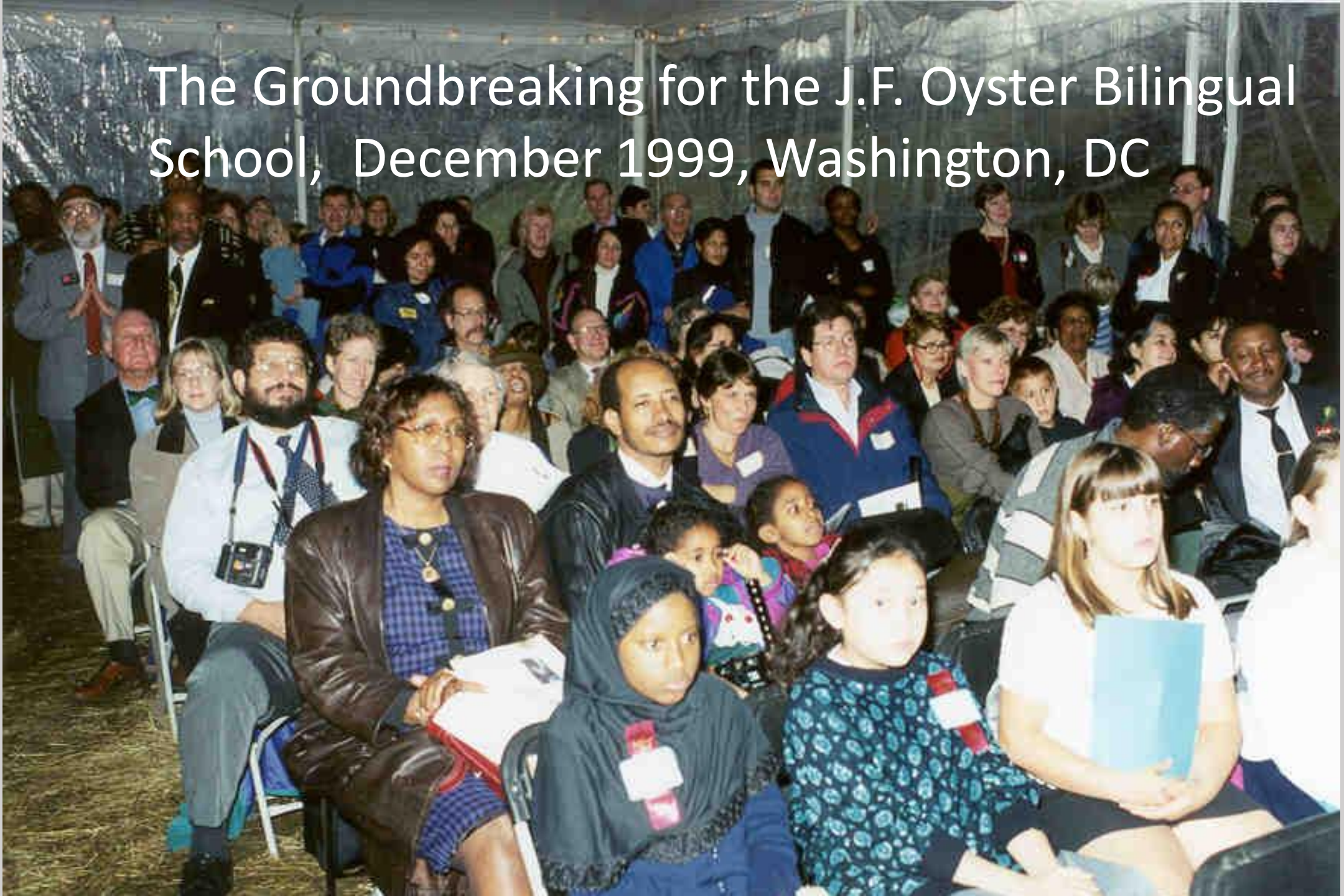
Community-Lead Public Private Partnership

Modernization of the Oyster School

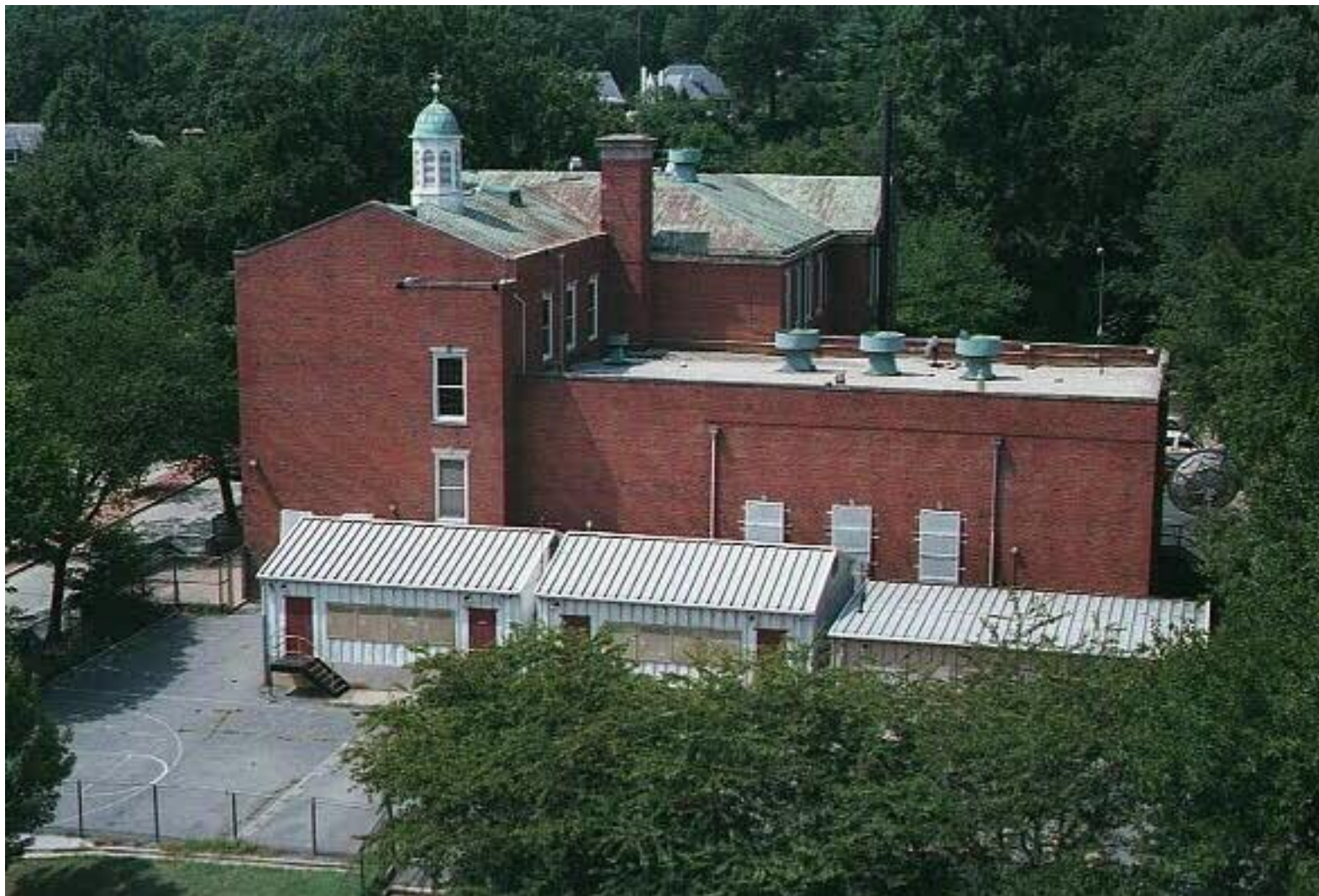
J.F. Oyster Bilingual Elementary School

- Successful dual language Spanish and English immersion program for students—half speaking only Spanish and half speaking only English
 - Every
 - subject taught in both languages from PK to 6th grade
- Exceptional staff
 - One English speaking and one Spanish speaking teacher in every classroom
 - Teachers from throughout Central and South American and the Caribbean
- Diverse community of active and devoted of parents
 - The Oyster Community Council, Consejo Comunitario functioned in English and Spanish

The Groundbreaking for the J.F. Oyster Bilingual School, December 1999, Washington, DC



The Old J.F. Oyster School (1926)



The New J.F. Oyster Bilingual School (2001)



The Development Partnership—the Objectives

- Meet the educational specifications of the school community for modernization and expansion
- No out of pocket cost, or liability to the City

The Development Partnership—the Approach

Capture the value of **under-utilized government and public assets**

- Land
- Zoning authority
- Taxing authority
- Decision making authority
- Public will

Maximize the development value of the site under allowable zoning regulation

The Development Partnership—the Mechanics

- City subdivided former 1.67 acre (.67 H) site and transferred ownership of half the site to developer
- City agreed to dedicate a payment of \$804,000/year in lieu of property taxes to pay off the \$11 million Oyster School Bond
- Developer financed, designed, constructed and furnished a new school and a new 208 unit market-rate apartment building and made small cash payment to the city

Financial Structure of the School Project

-Project cost summary:

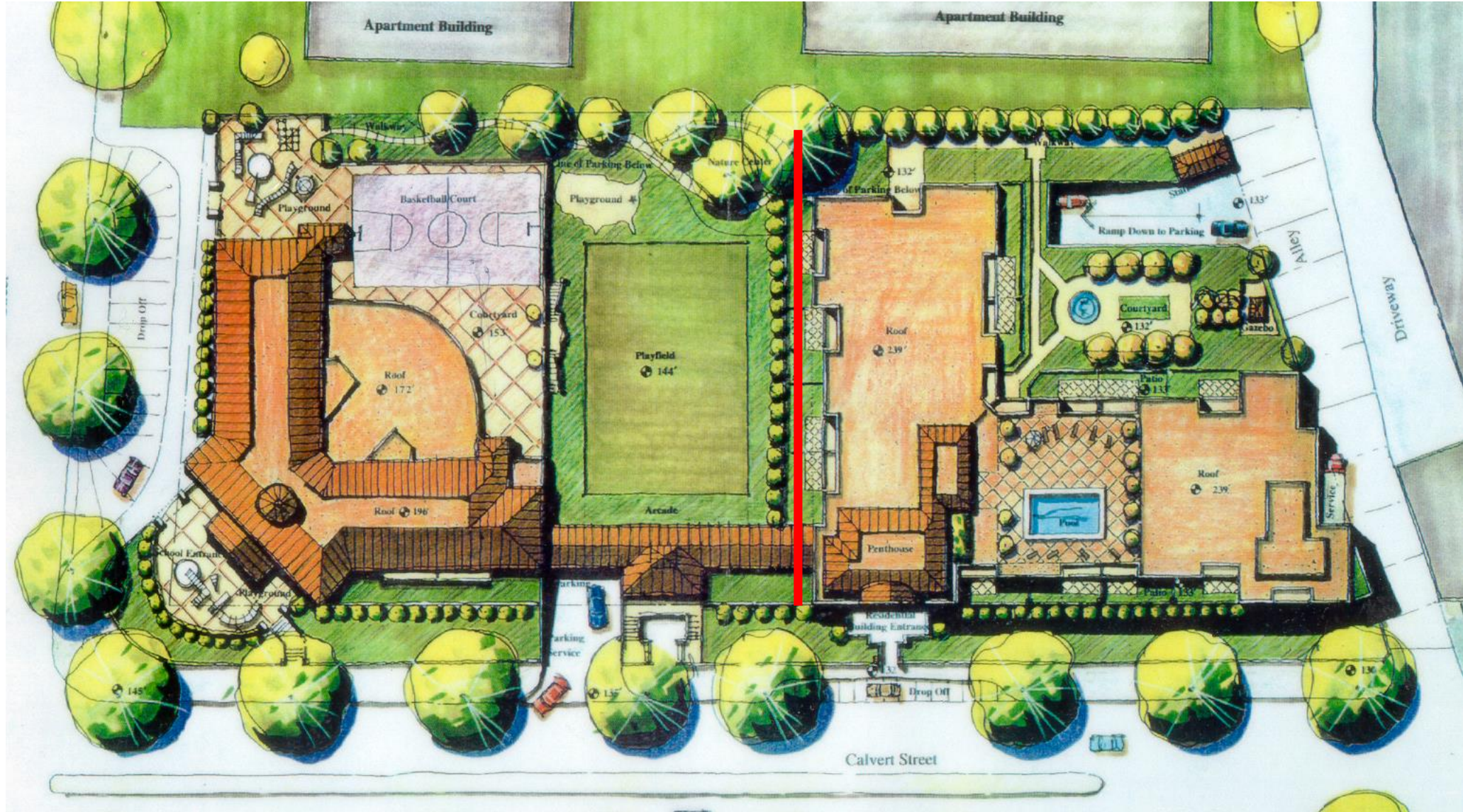
Hard costs	\$7,454,000
Soft costs	1,443,000
DCPS incentive payment	745,000
DCPS FF&E allowance	400,000
Bond issuance costs	2,660,000
Contingency	<u>0</u>
Total	\$12,702,000

Financed by tax-exempt bond issued by the District of Columbia





The Subdivision of Land



Payment in Lieu of Taxes (PILOT)

- City agreed to pass legislation to do tax exempt financing of \$11 million revenue bond to finance the school project.
- The revenue stream dedicated to this is \$804,000 per year, which is paid to bond holders “in lieu” of the property taxes which would normally be due on a private apartment building

-Bond issue summary:

Amount	\$11,000,000
Rate:	6.36%
Term:	35 years

Source of repayment	PILOT payments
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Financial Structure of the Apartment Building

- \$9 million (became \$10 million) equity contribution and \$21 million construction/permanent loan from institutional capital partner.

- Project cost summary:

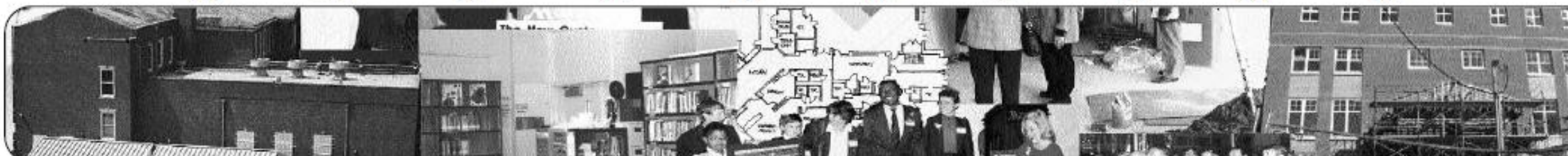
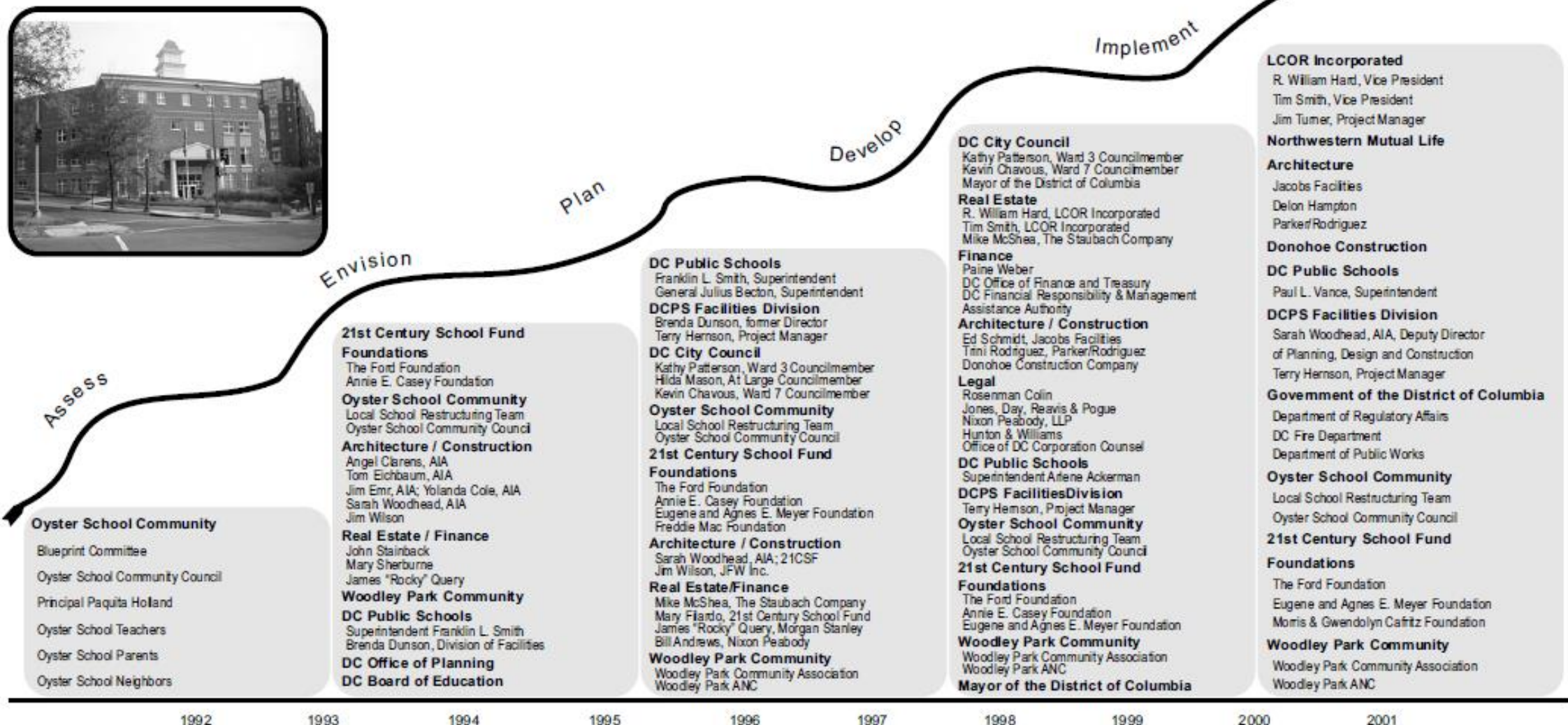
Hard costs	\$23,966,000
Soft costs	<u>7,515,000</u>
Total costs	\$31,481,000

Apartments delivered November 2001, sold July 2003

- Buyer	Gables Residential
- Price	\$53,000,000
- Net Proceeds	\$18,115,000



The Oyster School Public/Private Partnership



Step 1—Assess the Problems

1. The school community established a committee (Blueprint Committee) and wrote a report on all the problems with the school facility
2. The Blueprint Committee submitted the report to the school administration, with a request to them that they address the problems
3. School district said it could not fix the problems, that there were no funds

Step 2—Envision Alternatives

1. School Community Council asked, in writing, if the community could find an alternative way to finance the school modernization
2. School district agreed verbally
3. 21CSF insisted that the Board of Education pass a resolution supporting the exploration of the use of PPP to finance the design and construction of the Oyster School
4. 21CSF worked with the City Council to get a similar resolution passed

Step 3—Plan the School and Partnership

1. School worked with pro bono professionals and the school community to prepare educational specifications for a modern and expanded school
2. 21CSF sought and secured funding for a PPP feasibility study
3. 21CSF did a competitive bid RFP for a feasibility study
 - Legal
 - Financial
 - Architectural
4. 21CSF worked with the school district to get them to procure a zoning and market study

Step 4—Develop the Partnership & Financing

1. 21CSF worked with City Council to secure Payment in Lieu of Tax Legislation
2. 21CSF technical team worked with the school district to issue an RFP for a private partner
3. Educational specifications, construction standards, government review and approval processes, as well as feasibility studies were included in RFP
 - First RFP issued by DC public schools had poor responses
4. 21CSF engaged a technical team (using the success fee) to advise the school district in finding a development partner
 - Real estate adviser created a short RFP and managed the pre-bid conference
 - There were three bidders, all with capacity to deliver project
5. School district used a community panel and technical panel in the selection of a developer
6. Pro bono attorney represented city in drafting and negotiations around the developer agreement.
7. City's attorney represented District on revenue bond.

Phase 5—Implement the Project

1. Developer's architect completed design according to ed specs and construction standards using review process outlined in RFP
2. Developer constructs school over 14 months
3. Developer builds apartment building within 20 months (according to developer agreement, apartment building couldn't get a certificate of occupancy until the school had its C of O).



- 21CSF Managed Processes to Establish Trust
 - People do not trust the government
 - The government does not trust the people
 - The private sector does not trust the government
 - The government does not trust the private sector
 - The people do not trust the private sector

Political Chaos in D.C. 1994-2001

- Congressional (federal) takeover of the City's governance and finances
- 4 superintendents of the public schools
- 3 mayors
- 4 public education governance structures
- 7 project managers from school system

Keys to Trust

Transparency

- Constant communication with the principal, teachers, parents and neighborhood, school district and city officials
- Written documentation of all meetings and plans
- Due diligence on feasibility of project

Effective facilitation

- Trust from the community
- Help from experts

Real choice

- Community, school district and city representatives were asked to vote step by step to move the project forward, initially being clear that NO partnership was on the table, if conditions for community, government or developer could not be met.

Other Education PPPs in Washington D.C.?

- School district and university partnership
 - School Without Walls and George Washington University
- Charter school and traditional school partnership
 - Savoy Elementary School and Thurgood Marshall Public Charter High School

Why not more?

- Traditional capital funding increased—traditional financing, is much easier
- No funding to pay for the all the pre-development work
- Government forgets that it needs civic in partnership
- School district officials were concerned and understood political risk, but not financial risk
- Government attorneys were compliance sensitive—good at saying no, not transactional—looking for yes