

Resource guide for school facilities



COMEBACK

Prepared by MN Comeback, July 2018

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About MN Comeback

MN Comeback leads a broad coalition of advocates, families, educators and funders working together to ensure that all students – especially the 30,000 Minneapolis kids underserved – have access to a rigorous and relevant education. Together, our coalition invests deeply in strategies proven to help schools succeed – recruit and retain extraordinary educators, engage and empower families, advocate for supportive public policy, and help schools access quality facilities. Working in partnership with Great MN Schools, our goal is to triple the number of students attending proven schools – to 10,000 – by 2022. Learn more at www.mncomeback.org.

Part I: School facility planning & development

Introduction

Securing an adequate and affordable school facility option is a significant challenge, but charter schools do not need to feel alone in this quest. While many charter schools have limited resources, there are a range of professionals willing and able to help school leaders tackle the facilities challenge. With this guide, Minnesota Comeback hopes to provide a resource that will help school leaders better understand the various stages of the facilities development cycle and the organizations and professionals available to provide technical expertise along the way.

First, this guide outlines the core considerations of facility planning, including the development of short- and long-term facility plans. In order to help school leaders take this initial step, the following pages provide guiding principles for developing a facilities plan for your school. Some of the areas addressed include conducting a needs assessment, determining a facility timeline and analyzing your school's financial capacity.

This resource includes a directory of experts that your school's facility project may benefit from at various stages. The list is solely meant as a starting point, and each school operator should carefully assess the qualifications and suitability of professional partners for their own facilities development process. In addition to the list of professionals, the guide offers questions and guiding principles for helping to choose the right professional for your project.

Our goal is to help schools make more informed facilities-related decisions, and empower operators to more easily navigate the facilities development process so they can spend less time on facilities challenges and more time on accomplishing their educational mission.



Section 1: Getting started



Tip #1: Start planning early

It can take charter school operators over a year to find an appropriate incubation site and prepare it for a school opening. For a renovation or new construction project, the entire process from site search to occupancy can take over three years. It may feel premature, but it's critical to start early in identifying the potential needs of your school, consulting professionals, searching for the right opportunity, and putting your organization in the best position to successfully pursue and complete a project.

Many charter schools in Minneapolis are planning for growth or preparing to identify a more permanent facility solution. Our charter operators often find it challenging to guide their organizations through the many facilities and related financing decisions, and would benefit from some initial planning that can help to guide them through the process. This section provides advice on the critical areas for a charter leader to conduct a facility needs assessment.

There are five questions that typically come up for charter school leaders:

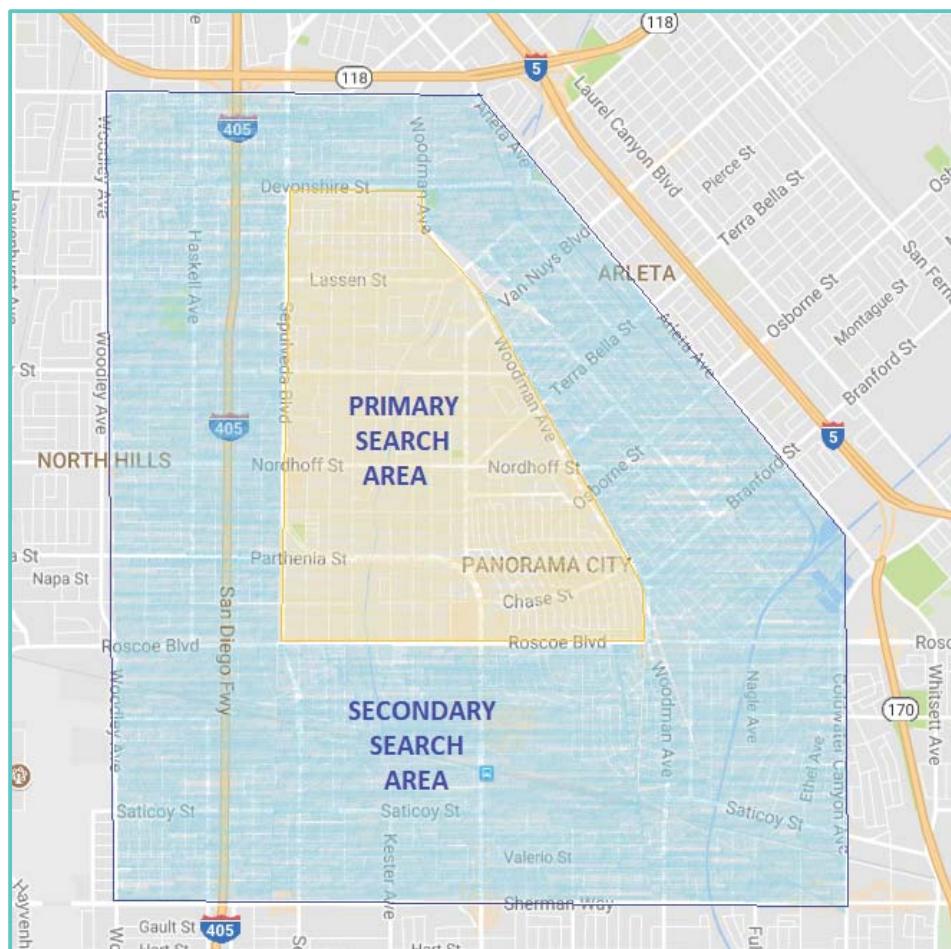
1. Where should we set our search boundaries?
2. How much space will my school need?
3. What should I look for and what questions should I ask?
4. How long will this process take?
5. How much building can my school afford?

1.1: The right location

Do you have a clear understanding of your school's geographic focus? Your search boundaries will be important criteria to identify early in order to communicate those constraints to brokers and developers able to support you in a site search. Some questions to answer include:

- Does your school's focus or mission include service of a specific neighborhood? Perhaps due to cultural relevance?
- Do you need to be in proximity to any community partners, related educational entities (e.g., sister or feeder schools) or cultural institutions?
- Do you have current enrollment or applicants? If so, have you attempted to create a heat map (e.g., using Google Maps) of where your families reside? This analysis can also be done by simply sorting the home addresses of your students by zip code.
- If you could pick an epicenter of where you would prefer to have your new campus, where would that be? What would be the streets to the north, south, east and west that define the primary search area?
- What are the street boundaries for a secondary search area that, while not optimal, could work if nothing adequate is found in the primary search area?

Following is a sample search area map that you may wish to provide your facilities team:



1.2: The right amount of space

Another helpful exercise: Complete a review of your school's program and plan of enrollment to begin to identify your facility requirements – and estimate the amount of space needed for each year based upon each level of anticipated enrollment. Specific space and facility needs may also vary based upon grade levels served and unique components of each school's instructional model (e.g., a S.T.E.M. program versus a performing arts program). The following 'Space planning worksheet' can help you analyze your school's needs and calculate these estimates.

When facility experts discuss facility size, they typically talk in square feet, or "SF." The main piece of information when estimating your facility size will be the amount of total SF needed to serve your school program. You will want to determine a minimum and maximum range of space required to allow for some flexibility when selecting a site.

There are a few "back of the envelope" methods of calculating total square footage required, but none will be as accurate as completing a detailed space planning worksheet and involving your team to help determine its accuracy in relation to the actual needs of your school.*

For a simple calculation of total space recommended, some experts project an *average 80 SF per student*, with a general range between 60-100 SF per student based upon budget and specific programmatic needs.

*Guidelines partially based on examples from 'Charter School Facilities: A Resource Guide on Development and Financing, Development Corporation and Charter Friends National Network,' 2010, Page 11.

Example: If the full enrollment level of a school is expected to be 400 students, then a high and low estimate for that school's new facility would be 24,000-40,000 SF. Using the 80 SF estimate, the school would project a facility size around 32,000 total SF.

Other experts add up the number of academic classrooms needed and multiply that by the expected number of SF per classroom (typically 700-1,000 SF). They then add an estimate to this number for administrative and other non-academic space. (Generally, ~40% of the space in a school is used for non-academic purposes, such as offices, conference and flex use, storage, assembly, restrooms and circulation.)

Example: If a school requires a total of 24 classrooms it can anticipate a classroom square footage need between 16,800-24,000 SF, and a total square footage need between 28,000-40,000 SF.

Besides total square footage, it's also important to think about various auxiliary facilities that your schools will need. You may wish to consider the following:

- **Non-academic areas** – Evaluate your school's needs in terms of a cafeteria, library, multi-purpose room, gymnasium, studios and other non-traditional uses; however, these may be “nice to have” and get reduced by the architect due to space constraints on the site, or due to feedback from a contractor when they offer a costing estimate on the facility design. Many times, the cost per square foot on these spaces are more expensive due to higher ceilings and the need for greater structural supports. Consider how your school program might make use of a single large “multi-purpose” space for a variety of uses, and if any of these spaces are non-negotiables, be sure to make that clear to your team early on.
- **Bathrooms** – It's important to carefully consider your restroom needs for students and staff. Your city's building code requirements (they incorporate Americans with Disabilities Act, or “ADA,” requirements) provide minimum requirements based upon enrollment and grade levels served. Your architect should be familiar with these regulations. For now, you can make the assumption that you'll require approximately two SF of restroom space for each student, and one 100 square foot restroom for every 10 staff members. Your architect or developer will likely design your facility with the “code minimum” for restrooms. Be prepared advocate for more restrooms if you deem it is critical; however, know that restrooms are expensive to build and may come at the tradeoff of another desired component of your facility design.
- **Technology** – Determine your technology infrastructure needs (e.g., whether computer labs are needed), and what expectations you may have for a new facility initially, and over time. If taking over an existing space, does it already have IT wiring in place and is that infrastructure sufficient? If a new IT infrastructure is required, what level of technology usage is expected? You can work with an IT consultant, or your in-house IT professional, to help determine these needs and the potential additional cost to your project. This conversation should happen early in the project development cycle.

Exterior needs

While most of your school program will be accommodated under the roof of your new facility, there are a few critical campus elements that should be considered outside of the building:

- **Accessibility** – When considering a potential site be sure to evaluate how the space will accommodate your bussing program and families who choose to drive their students (drop-off and pick-up). Examine surrounding uses and whether there's typically traffic congestion on the adjacent and feeder streets during peak traffic times. Accessibility of public transportation is another important consideration.
- **Parking** – Consider the number of parking spaces that you will require for your staff, visitors and any students. A rough guideline for most schools is one space per staff member, plus an additional 10-20 spaces for handicap access and visitors. For large assembly spaces – sporting events, concerts and other large gatherings – your program, and the department of transportation, may require parking levels that can accommodate such uses. One possible way to offset the need to directly provide parking is to enter into a shared use or lease agreement with a nearby business or organization that has unused capacity during school hours (e.g., a local church that only has night and weekend activities).
- **Playground** – Determine the type and size of outdoor play areas that your school needs. If available, consider using neighborhood parks since they often experience low usage during school hours.

Property size

The size of a charter school property may depend upon local zoning and building restrictions. These codes may include how many stories can be built, parking mandates and building setbacks (how close you can build to the property lines).

Lot size is largely determined by your project budget, since the more funds that are spent on the land, the less that will be left over for developing school facilities. Total enrollment and grade levels served, along with the type of school program, are also critical drivers (e.g., elementary schools typically need less land than high school programs; schools with robust physical education and/or sports programs may need more outdoor field space).

It's common that an urban charter school will need a minimum of one acre of land to accommodate its needs, but that its project constraints will not allow it to afford, or be able to find, a property above two or three acres. Based upon the 'Space planning worksheet,' an owner's representative or architect can advise you on an approximate range of land that would be necessary to accommodate your project's needs.



1.3: 'Space planning worksheet' to assist in determining your facility needs

Type of Space	Example	Year 1	Year 2	Year 3	Year 4	Year 5
Enrollment	500 Students					
Grade levels	9th-12th					
Students per CR	25:1					
Core classrooms	20 @ 850 SF each = 17,000 SF					
Science labs	2 @ 1000 SF each					
Computer labs / media centers	1 room @ 1000 SF					
Specialty offices / classrooms	SPED, ELL, counseling rooms - 2 @ 400 SF each, 4 @ 100 SF each					
Reception area / offices	Reception area @ 400 SF					
Administrative offices	Four offices at 100 SF each					
Conference room(s)	400 SF					
Teacher lounge / work room	600 SF					
Commons / lunch area	1,500 SF					

Kitchen / prep room	200 SF (prep only)					
Bathrooms (staff & students)	Students - 2 @ 400 SF each, staff 3 @ 100 SF each					
Multi-purpose room / gymnasium	MPR / small gym @ 4,000 SF					
Elective classrooms	(1) music @ 1,000 SF					
Storage closets	2 @ 300 SF each					
Custodial	150 SF					
Mechanical & IT	250 SF					
Other (drama, media, parent room, health, etc.)	Parent room @ 200 SF					
Circulation (hallways)	@15% total = 4,800					
Total estimated square feet	32,000 + 4,800 = 36,800					
Total square feet per student	73.6 SF per student					

1.4: Selecting the right site*

Here are the common properties that will be found in a site search along with the typical positives and negatives of each type:

- 1) **School buildings** – Likely already built-out with classrooms and non-academic spaces. These properties often have existing entitlements to operate a public school and may have been “grandfathered in” to meet accessibility requirements. Since they were previously operated as school campuses, they might already have ample parking and outdoor play spaces. The downside is that many of these buildings are dated, with lots of deferred maintenance and lack the standards for accessibility that we now expect with newer school campuses (e.g., wide stairwells, elevators, large classrooms, bright lighting, energy efficiency).
- 2) **Office buildings** – May have a large amount of square footage available (entire floors), and the buildings may be blank canvases that can be easily modified into classrooms. It’s common that these buildings have large windows on the exterior rooms (allowing more natural light), but little to no windows in the interior areas. It’s also likely that ceiling heights are low, making it difficult to accommodate non-academic spaces. Outside, there may be ample parking, but there may not be existing open gathering spaces or playgrounds adequate for school use.
- 3) **Commercial buildings** – Often large open spaces with high ceilings that can be converted to a range of classrooms and multi-purpose spaces. The properties typically have existing accessibility features (e.g., elevators), are located in areas accessible by car and bus, and have large parking lots. The downfall to these buildings is that there are frequently a lack of windows and natural light, and may require more costly improvements to modify the larger open space. On the exterior, it’s unlikely that there’s play space, the properties typically don’t have separation with neighboring commercial buildings, and the adjacent uses could be non-compatible with your school use.
- 4) **Residential buildings (“multi-family”)** – Often difficult to secure zoning entitlements for (may have incompatible surrounding residential uses) and may require extensive renovations in order to convert into the spaces required to create an adequate charter school campus. Depending on the width of the buildings, the center corridor may be able to be left existing in order to build classrooms out on either side in lieu of apartments, but there’s typically limited ability to adapt the buildings into non-academic spaces. The benefits would be proximity to the homes of families, and that the properties may have existing play areas (or be close to community parks) and adequate parking. Beware of the level of renovations that may be required.
- 5) **Religious buildings** – May already have classroom (or classroom-like) spaces, although there may not be enough of these rooms to accommodate your school at full enrollment – or the ability to gain approval for renovations. Thus, these options are typically shorter-term leases and solutions. On the flipside, there’s likely ample parking and non-academic spaces. Often times religious uses are compatible with school times (churches operate nights and weekends, outside of school hours), but keep in mind that your classrooms may need to be shared-use with the church, meaning that the church could require that they be broken down or cleared out at the end of each week.
- 6) **Warehouse / industrial buildings** – Typically large, open spaces that are easily converted into classrooms. There may or may not be adequate parking or, depending on the size of the lot, there may be room to accommodate adding a parking area. The high ceilings may provide the ability to build-out non-academic uses. The negatives: There is unlikely to be anything of value to the existing improvements beyond the structure of the building, and there will likely be a large amount of upgrades required, including full fire and life safety and accessibility. The property may also be surrounded by other incompatible or possibly hazardous industrial uses and may not be easily accessible for the public (cars and buses).
- 7) **Land / new construction** – Often, if enough open land is available, this is the preferred option for charter schools. If a property with an existing building is able to be purchased at a cost where the existing improvements can be demolished, it’s recommended in order to allow a new site and building plan that will best fit the needs of your school program (consult your architect to make this decision). New buildings will have lower maintenance costs, and the buildings can be placed in a way that maximizes site utility and leaves room for parking, play, etc. New construction may be cost prohibitive, but is able to be modeled-out more accurately than the renovation of existing structures.

*This section supported by content from ‘Charter School Facilities: A Resource Guide on Development and Financing, Development Corporation and Charter Friends National Network,’ 2010, page 23.



Tip #2: Ask the tough questions

Bad news early is good news!

1.5: Questions to consider asking

Site-related

1. Does the size of the site meet the planning needs that you've identified?
2. What were the prior uses? Is there potential concern regarding the condition of the soil and hazardous materials? Any safety issues for your school?
3. What are the current zoning and entitlements for the property? Is there a valid approval for school use, or will there be a variance/conditional approvals required (you'll want to engage a land use consultant/attorney for this evaluation)?
4. Is the title clear and are there any restrictions to full control and use of the site (e.g., easements)?
5. Is there enough space to accommodate parking needs/requirements (staff, visitors, events, etc.)?
6. Is there adequate outdoor recreation and play space for your school program?

Location-related

- Is the site accessible to the community you want to serve (families can access the school by walking, biking, personal vehicle or public transportation, and path of travel to school is safe)?
- If the site is not close to your families, is your school able to provide transportation for your students to the location, and does the site have access for busses?
- The adjacent residences or businesses appropriate for student use and is the surrounding neighborhood safe for your school (can the school control access)?
- Are the neighboring uses likely to oppose or support your project?
- Do you have the support or input from local governing bodies and/or politicians? Are they likely to be supportive, show opposition or be neutral?

Facility-related (if site has existing facilities)

- Do the existing improvements align with what you've identified on the 'Space planning worksheet' (adequate classrooms, restrooms, etc.)? If not, how is it inadequate and can the facility be modified or can your school live without those spaces?
- Have you walked the site with an architect and/or contractor in order to determine the facility condition and whether it meets building codes (structural, building systems, exterior, ADA and fire/life safety compliance)?
- Has a contractor been able to provide you with an estimate of renovation costs? How will that compare against demolition and new construction? How does it compare against other site alternatives?
- If you plan to experience enrollment growth, is there enough facility space to allow for that expansion? Will you be able to afford the facility in the years before full enrollment?

1.6: Creating a project timeline

To create realistic timeline expectations, charter operators and their team should use their facility assessment input (hopefully gathered early in the process) and make an honest assessment of the constraints of the development process for each facility opportunity and how those might impact a project's timeline and budget. You should anticipate that there will be some unexpected roadblocks along the way.

Knowing the needs and target date(s) for your school, work with an owner's representative or project manager in order to estimate how long the process will take. A typical renovation or new construction project can take over three years from site selection to receiving a valid certificate of occupancy. Below are some examples that might help guide you during this critical step.

Typical timeline constraints

- Site selection and evaluation (locating the right opportunity)
- Negotiation and site control
- Site due diligence (environmental, title, appraisal)
- Entitlement process (obtaining necessary zoning variances, if needed)
- Public hearings and community outreach (may be mandated by entitlement process)
- Preparation of architectural drawings and submittal to building department
- Review by building department and award of building permits
- Site acquisition and/or construction financing
- Demolition and site prep
- Construction of school facilities
- Required off-site improvements and connection of public utilities
- Installation of fixtures, furniture and equipment (“FF&E”), including IT and security
- Clearing of “punch list” items and final construction sign off by architect and school
- Release of certificate of occupancy and school move-in

Sample project timeline

Note: In Minneapolis, site search and lease negotiation timelines are typically longer than depicted below.

ACTIVITY	START	FINISH
SITE SELECTION		
Initial site / facility assessment	Month 1	Month 2
LOI / purchase offer / lease negotiation	Month 2	Month 3
ACQUISITION		
Site / facility due diligence	Month 4	Month 6
Confirm space program + initial design	Month 4	Month 6
Community outreach + public hearings	Month 4	Month 8
Entitlement process / approvals	Month 4	Month 8
Acquisition financing	Month 8	Month 9
DESIGN		
Selections of architect + engineers	Month 8	Month 9
Site planning / schematic design	Month 9	Month 11
Construction documents	Month 10	Month 12
APPROVALS		
Submit plans to building department	Month 12	Month 12
Building permits and approvals	Month 13	Month 16
FINANCING/ LOAN CLOSING		
Full project financing selection	Month 9	Month 11
Underwriting and closing	Month 12	Month 16
CONSTRUCTION		
Select contractor / award contract	Month 14	Month 16
Construction	Month 17	Month 28
Substantial completion / punch list / FF&E	Month 29	Month 30
Certificate of occupancy / close out	Month 31	Month 31
School move-in / ribbon cutting	Month 32	Month 33
Start of school	Month 34	Month 34

1.7: Financial capacity

A critical step that should be addressed before a project is under way: The evaluation of the financial capacity of a school. Your school's operating budget will need to accommodate the ongoing costs of leasing or financing a project, as well as the operating costs (janitorial, maintenance, utilities – that are often higher than

expected for charter school operators). An owner's representative or project manager can work with your finance team to determine your school's financial capacity in each future year and projected enrollment level. The typical range for charter schools is somewhere between 10-20% of their annual operating budgets; however, some models can complete projects that bring that annual cost as low as 5%, while others are able to operate a program that can absorb up to 25%. Some schools spend at or above the 20% level; however, there are often tradeoffs between facilities and the educational program.

Before it's needed, engage potential sources of financing in order to allow them to advise you on the options available to your school, balance sheet expectations, and the potential interest rates and underwriting costs that you should expect.

Lease aid

The Minnesota Department of Education, or "MDE," has a program called 'Charter School Lease Aid' – a critical source of funding to ensure the affordability of an adequate facility for your school. The application has many requirements, including specific language in your lease agreement. You should rely on an attorney to ensure that your lease is in compliance (before you sign it) and your back-office consultant to assist you with completing and submitting an application. Also, keep in mind that many operating costs, such as utilities, are not eligible for reimbursement by the program.

'The Building Lease Aid Program,' part of Minnesota Statutes (section 24E.22), states "When a charter school finds it economically advantageous to rent or lease a building or land for any institutional purposes and it determines that the total operating capital revenue under Minnesota Statutes, section 126C.10, Subdivision 13, is insufficient for this purpose, it may apply to the commissioner of building lease aid for this purpose."

Eligible costs include base rent, property taxes (excluding special assessments) and landlord building insurance, while ineligible costs include utilities, custodial, maintenance and tenant's contents insurance. This state entitlement is calculated based on the lesser of: 1) 90% of the approved lease amount, or 2) 90% of audited expenditures, or 3) final pupil units (ADM) times \$1,314 (90% of \$1,460).



Lease aid example

If a school with an ADM of 500 students for a given fiscal year had a total of \$850,000 in eligible lease aid costs, it would have an entitlement based upon rule 3 above and would receive \$657,000 in reimbursement ($500 \text{ ADM} \times \$1,314$). Ten percent, or \$73,000, is the lease aid responsibility of the charter school ($\$730,000 - \$657,000 = \$73,000$) in addition to the lease amount over the limit per ADM ($\$1,460 \times 500 = \$730,000$) that the charter school signed the lease for ($\$850,000 - \$730,000 = \$120,000$). In this case, out of the total lease amount of \$850,000, the charter school receives a lease subsidy of \$657,000, or 77.3%.

In the above example, most operating costs are not included. In order to calculate the true cost of a facility, and what your school can afford, be sure to include an estimate for these costs (utilities, janitorial, maintenance, taxes, etc.). A ballpark estimate to use is \$3-\$5 per square foot per year, depending on what's the responsibility of the school in your lease.

For schools that plan to own and operate their own site, the property will be held by an Affiliated Building Corporation, or "ABC," which is a separate 501(c)3 non-profit corporation with the sole purpose of owning and operating real estate for the school. This structure can only be initiated after six years of successful operating history by a charter school, and typically can't go into effect until year eight of school operations. An ABC will hold the title and financing for a property, and will then lease the property to the charter school entity (facilitating the ability to collect lease aid).

Project budgeting

As early in the project as possible, you'll want to begin building out a preliminary project budget to see if it aligns with your school's financial capacity. Often, charter projects are broken down into a cost per student or cost per square foot rate, in order to be able to more easily compare the cost of one potential project to another.

The cost per square foot is simply the total cost of a facility project divided by the total SF in the facility. The cost per student is the total cost of a facility project divided by the school's projected enrollment in that facility. Most charter school projects range between \$325-\$375 per SF, and \$20,000-\$25,000 per student.

If your school is in the position to either purchase or lease, you will also want to compare the cost of purchased space with leased space, and to do so will need to divide the assumption of annual debt service costs by the usable SF available. This rate can be compared against lease rates for other opportunities.

Your site selection team should evaluate several properties in order to gain a sense for cost versus size and quality, and what the current market is projecting for your school.

Below is an example of a full project budget for a project requiring new construction:

SAMPLE PROJECT BUDGET (NEW CONSTRUCTION)	
Total building square feet	35,000
Grades	9-12
Max. capacity	500
Cost per SF	\$327
Cost per student (or seat)	\$22,880
Site acquisition cost (including site financing costs)	\$2,750,000
Hard costs (construction materials and labor)	\$6,100,000
Soft costs (due diligence, entitlements, architect, permit fees)	\$1,100,000
Financing costs (underwriting, lender fees, capitalized interest)	\$500,000
Management costs (project + construction management)	\$300,000
SUBTOTAL	\$10,750,000
Budget contingencies (hard 10%, soft 5%, financing 5%)	\$690,000
TOTAL PROJECT BUDGET	\$11,440,000



Additional budgeting resources

The following resource from the Local Initiatives Support Corporation (LISC) is recommended as an online project cost calculator: www.lisc.org/charter-schools/project-cost-calculator

Also review the full SchoolBuild: From Idea to Construction online resource from LISC at www.lisc.org/charter-schools

1.8: Leasing vs. buying

If your school is five to 10 years into operation and is evaluating longer term facility options, you may be concerned about the advantages and disadvantages of leasing versus owning a school facility. While each opportunity has to be evaluated on a case-by-case basis, below are some reasons why your school might choose, or not chose, either option:

Advantages to buying:

- If your school has a large enrollment, it may be more economical than leasing, as many of the one-time project costs can be spread over more students.
- Allows full control over the facility, and a presence in the community.
- Protects from the uncertainty and the legal liability that may come from a lease with a bad landlord.
- Typically has debt that is fixed long term (with the ability to refinance if rates improve), and will increase your organization's ability to build financial assets.

Disadvantages to buying:

- The charter school team will need to become knowledgeable about financial and legal issues around property ownership.
- Will likely require having to secure debt, and your school may need to contribute equity up front.
- Means that the school will have the responsibility of property management.
- Will require setting up an ABC and managing a separate entity.

Advantages to leasing:

- Typically requires less up-front cash and may be cheaper in the short run.
- Typically involves fewer property management responsibilities.
- May allow for more flexibility in the case you need to move to a better facility option (may be able to sublease your current facility or negotiate to get out of your lease).
- Leasing may provide a wider range of facility options for the stage of your school growth.

Disadvantages to leasing:

- Typically, the school has a lack of control over property management issues.
- May have to pay management fees, property taxes and other fees that may be reduced or eliminated if the property is owned by an ABC.
- May be more costly for the school in the long run since it doesn't allow the organization to build assets.
- Could place the school in an uncertain position if the lease cannot be renewed at the end of the lease term and the school needs to find an alternative space.

Common development models

There are typically four types of development models that are used in charter school facility projects:

1. Charter developer + owner
2. Fee for development
3. Lease with option to purchase
4. Long-term lease

School owns building

With these two approaches, the school will end up owning the building, but without a developer will likely need to borrow or fundraise for the full project amount. The school will need to decide which portions of the project to manage themselves and which to contract out to project development services.

Charter developer + owner

This option is often less expensive for the charter school in terms of third-party development costs, but may require a large amount staff time and expertise in order to manage the project effectively. This approach is considered high risk unless there is significant real estate and financing experience on the charter school team, which is typically only found in larger charter school networks.

Fee for development

With this option, a school selects a developer or real estate expert and pays a fee for project management. This may be a project manager / owner's representative (as detailed in the next section), or might be a real estate developer who's willing to allow the school ownership of the project and simply provide development services (typically developers prefer ownership via one of the two options below). Often times an experienced development partner will be able to develop a property below budget and on time, and is worth the reduction of risk. Even though the professional may lead the real estate portions of the projects, school staff will still need to be heavily involved in the project's financing.

Developer + landlord

With the below two options, a developer is contracted to finance and build the school a building, and then lease it to the school for a certain period of time. If possible, it's advantageous for schools to negotiate for an option to purchase the building from the developer at a future date and with a set purchase price. The largest advantage to this option is for a school to not have to manage or finance or provide equity to a project, and to have a set lease in place allowing facility costs to be known (low risks). The largest disadvantages – leasing costs will likely be more expensive and will continue to escalate long-term, and the school facility may not be as custom built in order to meet the specific needs of a school's program.

Long-term lease

This avenue is appropriate for a school that may have trouble with managing and securing financing for a facility project. It can end up being more expensive in the long run, but is less burdensome for the school on the front end and may allow access to a better facility earlier in a school's operation. Be sure that a development partner is reputable as a real estate developer and a landlord, and has a track-record of securing affordable financing for similar projects.

Lease with option to purchase

This path is similar to the above, but with an option (or multiple options) to purchase the property from the developer at a future point in time when the school can access enough capital to do so. It can allow a school the opportunity to grow enrollment and build equity, and secure more advantageous financing options as a mature school. In this scenario, the developer will likely want a guaranteed rate of return on their investment upon purchase, and may try to negotiate to escalate rent significantly in the later years of the lease if school does not elect to purchase the property (to try to encourage the take-out).

If your school is considering a short-term or long-term lease option, please review part II of this guide, 'K-12 facility lease negotiation.'

Section 2: Selecting your facility team

Finding and developing the right charter facility is a major endeavor and will require a team of dedicated professionals. Team members will need to have an aligned vision and a clear understanding of the needs and mission of the charter school.

Ideally, the facilities team should include members with knowledge and skills in the following areas:

- Real estate (site selection and acquisition)
- Land use (as needed, for the zoning review and approval process)
- Legal (review and negotiate any lease, purchase, and financing agreements)
- Architecture (design facilities that optimize school's ability to meet its educational mission)
- School construction (with an eye toward remodel needs and cost assessments)
- Technology and security (infrastructure requirements)
- Education (representative/advocate for the school to ensure that the facility team is aligned and that the planning/design incorporates all school requirements)



Who will lead the process for your school?

It's critical that the school have someone designated as your internal facility representative. Who will manage the facility process for your school (e.g., board member, principal, executive director, others)? This person should be a strong project manager who will coordinate efforts and have authority to make final decisions. Be careful to assign someone who will have time to attend meetings, respond to a variety of requests and hold the team accountable.

If you have board members with real estate, construction or finance backgrounds, ask them to become actively involved as an advisor to the process. If you have multiple board members with this experience, you may wish to have a facilities committee formed that can review and advise on facility issues on a more convenient, recurring basis.

Real estate representatives

There are facility experts who can be hired as consultants to guide charter operators through part or all of the facility development process. Many times, these representatives use the following names:

- Real estate broker (typically a "commercial broker")
- Site consultant
- Development consultants
- Project manager
- Owner's representative

These consultants may offer expertise solely to help identify and negotiate your lease or purchase of a property (broker), may only help in the planning phase (site consultant), or may extend their services through the life of a project (development consultant / project manager / owner's representative). The goal of utilizing these services is to gain a strategic advantage through their experience in order to save time and money, and to have someone who can manage the process so that your school can focus on your instruction rather than construction.

A site consultant or project manager should be the first person that you try to bring on to your team, as you'll want their early guidance in order to lead you through the planning and site selection process. Above all, a broker or project manager must be responsible for protecting the interests of your school. You'll want to identify someone who is knowledgeable in solving the type of facility problems that your school has, and who will not stand to gain from any decisions you make.

Commercial real estate brokers

A real estate broker's job is to identify properties available for lease or sale that meet the charter school operator's needs. When identifying a broker, find someone who will serve as a "buyer's agent." (This means they will represent the school's interest at all times and not just show properties they're personally listing.) If the agent is the one listing the property your school is interested in, you should engage a different buy-side broker to represent your interests.

To select the right broker, consider the following:

- Experience – Does your broker have experience with educational facilities and do they know your targeted territory well?
- School knowledge – Make sure the broker understands charter schools and the unique needs and challenges of your school.
- Affiliation – While a broker might be part of a big-name brokerage firm, they still may not be the best qualified person. Be sure to judge the individual broker who will be working directly with your school.
- References – Check the broker out with other school operators to see if your broker is credible.
- Adaptability and creativity – Find a broker who is willing to get outside of the box in their site search and think creatively (and not just look for active listings, which all brokers have access to).
- Clear expectations – Be clear about your constraints (financial, site and facility size, etc.) and make them acknowledge that they're willing to work within those boundaries.
- Fit – Try to choose a broker who is a good fit for your school and its values. In interviewing your broker, ask questions that will help you determine whether this is that case.

Project managers / owner's representatives

For a consultant providing real estate advisory services for your school, your representative should be mission-driven and care about completing your project on time and under budget. This consultant may be responsible for a wide range of project consulting, including, but not limited to, feasibility assessment and planning, facility search and evaluation, project financing, design and budgeting, construction management, and advising on the selection of other members of your facility team, such as architects, contractors, land use experts, financing partners and attorneys.

To select the project manager, consider the following (in addition to the above suggestions for selecting a real estate broker):

- Interview several project managers before making a final choice. Fit with your school and leadership is critical. Ask about their process and strategy for your school and situation.
- Be sure that they have experience with similar size projects, and with a range of zoning and permitting issues.
- Ask about whether they'll accept a compensation structure that is all or partially based upon the successful completion of your project.



TIP #4: Communication

Establish a regular project team meeting on a recurring basis (once per week during busy periods of your project). One member of the team should set the agenda, take notes and distribute to the rest of the team. This system will help maintain communication among your facility team members and will hopefully help avoid significant issues during the process.

Developers

Charter school facility developers are individuals, groups of investors, or firms that finance and/or develop projects for schools. The developers might be willing to sell a property to the charter school upon project completion (for a pre-determined return on investment), but most often they chose to engage in leases with charter schools (with or without a future option to purchase the property). These developers typically have a large amount of experience in real estate development, and see the charter school space as an opportunity to "do good while doing well."

To select the right charter school developer, you may wish to consider the following:

- Experience – Does the developer have prior experience with developing educational facilities? Do they understand how lease aid works? Do they understand the zoning and entitlement work that may be required?
- School knowledge – Make sure that the developer understands charter schools and the unique needs and challenges of your school.
- References – Check the developer out with other school operators they have worked with in order to see about their experience both in project development and as a landlord.
- Clear expectations – Be clear about your needs and ask them to be transparent about how their development process will work and what the charter school’s role looks like. Some developers desire a large amount of control over their projects, while others allow for a great deal of school input on the design process.
- Deal structure – Will they want a long-term lease arrangement, or can you school get options to take-out and own the project at some point? In a sustainable, full enrollment charter school model, it’s typically the preference of schools to fully own and control their facilities.
- Fit – Try to work with a developer that cares about your school and the needs of your program.

Real estate attorneys

If your school has a construction or renovation project, then you’ll likely need an attorney involved in your project team. An attorney will represent your charter school on all legal issues involved in your project and can be extremely helpful in protecting your school from liability. Engagement should come during the beginning stages of your project, and your school may require counsel on some or all of the following:

- Acquisition of land or building
- Negotiation of leases
- Zoning and permits
- Architect and construction contracts
- Project financing

To select the right attorney for your project, you may wish to consider the following:

- Experience – Does the attorney have appropriate experience in charter school real estate (familiarity with charter school law is a bonus)?
- Expertise – Does your lawyer have the specific areas of expertise that your project, or stage of your project, requires? Keep in mind that different firms often have different specialties.
- Land use consultants – These professionals are often attorneys and can help navigate the entitlement process and expedite your project through city planning departments. If this specific help is what your project requires, be sure to clarify that your attorney has the experience, and contacts, in order to best serve your needs.
- School knowledge – Make sure that the attorney understands charter schools and the unique needs and challenges of your school.
- References – Check the attorney out with other school operators they have worked with.
- Be careful – Use caution when using “pro-bono” volunteer attorneys, or board members who are attorneys, who are not familiar with this area of the law. It’s exciting to save your school some money in the short term, but it may be at a significant risk.

Architects

An architect should be added to your team as soon as a viable site option is identified. You’ll want their expertise to analyze the potential of an opportunity, and most importantly what pitfalls may lie ahead with each site. Plans and permits for facilities will require the professional assistance of an architect, and the earlier the architect is involved in the process, the better they will be able to understand your school’s needs and constraints, direct the site selection and design process, and achieve a great result for your school.

That said, it may be difficult to afford these professional services before a site has been selected for your project. It’s possible that an architect will provide some low- or no-cost initial consulting and design work, with the hope that they’ll be able to show their value and be selected for the full project once a site is selected. Don’t

be afraid to ask. At a maximum, accept an hourly fee contract with a cap for the “site search” portion of the services, and use their performance on that part of the project to evaluate their fit for the rest of the project. Even though you have an architect on board (and will have a range of other experts), be sure to remain an active member of your facility team in order to continue to provide clarity and vision, understand the tradeoffs in the process, and achieve the best facility for your school’s program. Remember, it’ll be up to you (or your team lead) to analyze the information your facility team provides and make final decisions for your project.

To select the right architect for your project, you may wish to consider the following:

- Ask the architects to come and meet your team and interview. Be sure to meet with several before making a final choice, check their professional affiliations, and reach out to get recommendations from other charter schools.
- Be sure to share your school’s mission and program needs, and make sure that the architect is truly interested in building a school campus that best aligns with these and not their own design desires.
- It is important that the architect has experience with school facilities – specifically in leading charter school projects.
- Ask each architect which school projects they’ve represented that most resemble what your school’s project will require. Request to be able to visit those school campuses.
- Try to interview the principal of the firm and ask how much involvement he, or she, will have in your project, and which of the firm’s teams will be assigned to your project (and what that team’s experience is). If they inform you that they will be assigning a specific project manager to your project, ask to meet them and make sure that they are someone who fits your organization and personal communication style. A strong relationship with this person is critical.
- Be open and honest about how much your project can afford to pay for their services. Also, determine their level of flexibility with deferring payment for services until after the close of financing when actual project funds will become available (and not be paid for off of your school’s balance sheet).
- Once the site is selected and your project is moving forward, ask the architect for a list of services and estimated costs to complete the work required for occupancy. Make sure the architect lays out a complete picture of the steps that will be required to get to final occupancy of the site (and all of the studies, engineers and other architects involved) and the estimated costs attached.
- Ask the architect to put together a project schedule that starts from the day the contract is signed and goes until the day the new facility is occupied by your school. If you already have a site selected, ask them what they believe to be high risk areas that may cause project delays.
- If the project must get entitlement approvals, be sure that the architect has experience shepherding projects through the process, and has relationships with the planners and engineers working for that specific authorizing entity. The same goes for being able to navigate your project through the building plan approval process.
- Be sure to specifically negotiate the scope of the project and have them clearly outline what they will consider to be “additional services” outside of that scope.



Tip #5: Don’t try to be the construction expert

If you don’t have a project manager and your construction project is large, you may wish to hire your own construction manager who can represent your school’s interests during this portion of your project.

General contractors

The general contractor is a critical member of your facility team, and is responsible for coordinating the construction/renovation work for your school’s project. Their main priorities should be that the project gets completed on time, under budget, and of the highest possible quality. Remember, the general contractor doesn’t actually complete the work, but instead hires a range of subcontractors (framers, electricians, plumbers, etc.) and acts as the construction “quarterback” to schedule and ensure quality of all work completed.

Often times a general contractor will work with an architect early during the site selection phase in order to provide an initial estimate of project costs for the construction/renovation of a project. Your architect should be able to get a general contractor to provide this service “pro-bono.”

Once your site is selected and your architect has developed a set of plans, specifications and general conditions for a real construction bid, their “bid documents” should be provided to multiple general contractors in order to get estimates on the cost for the work (typically takes three-four weeks). Most charter school facility financing requires what is called a “guaranteed maximum price contract” with a contractor, where a not-to-exceed price is accepted by both parties and the contractor is responsible for cost overruns, unless the contract has been increased via a formal change order.

To select the right general contractor for your project, you may wish to consider the following:

- Rely on the past experience of your project manager and architect, along with feedback from other charter operators who have used the contractors.
- Find out the number of school facilities that the contractor has built that are relatable to the scope of your project (especially with charter schools) and whether they were delivered on time and under budget. Request to tour some of the projects and be able to contact the schools.
- Make sure to ask for the contractor’s project portfolios and qualifications. The general contractor should already have this document prepared.
- A “performance and payment bond” will likely be required by your project’s financing, as it protects the project in the event of the contractor going out of business or failing on the project. Make sure the contractor is “bondable” for greater than the amount of the project.
- Find out who your project’s “superintendent” will be and request a resume of the person’s project experience. Gain a strong understanding of the schedule for this person (e.g. ask how many projects he/she will be overseeing at the same time as your school’s project).
- Determine whether your architect worked with the contractor on other projects? If not, be sure to evaluate whether all of your team’s members will be compatible. One of the worst things for a project is if the architect and general contractor are unable to work well together.

Financing partners

There are a variety of financing options available to help fund charter school facilities, and typically the financing partners are banks, bonding groups, or non-profit lenders. It is good to introduce yourself and become familiar with the different types of lenders and financing available for facilities before your project requires a loan.

All of the lenders will want assurance that your project will be successful and that your school will be able to repay its loan as planned. Expect that they’ll want to assess the level of risks that would prevent you from making your loan payments, and that they’ll try to structure the loan to reduce those risks as much as possible. When assessing your school’s risks, lenders typically evaluate your school and project based upon the following:

- Historical academic performance
- Charter model and authorization risk
- Leadership team’s experience
- Enrollment trends and waitlists
- Financial performance, position and projections
- The collateral your organization (or a supporting entity) can offer.
- Your facility project team and overall capacity to manage the project

To select the right financing partner for your project, you may wish to consider the following:

- Shop your project to various lenders and try to find the best deal (and have them compete for your project)
- Ask about past projects that they have financed and the structure and product used.
- Ask about an estimate of total financing costs for a similar project.
- Determine what their underwriting process looks like (timeline, due diligence documents, interviews, etc.).

- Make sure to understand the loan to value (LTV) that your lender requires. If there is a gap that needs to be filled, and if so how will your school meet that need?
- Request early that they provide the covenants that they will require in order to secure the financing. Make sure that your school is comfortable with these covenants, as they could be difficult to meet and may impede your school's ability to refinance, or secure financing for other projects, in the future.
- Have professional help assist you to secure the best deal. If you have a project manager on your team, this should be a critical area of their expertise.

Part II: K-12 facility lease negotiation

Introduction

The purpose of this part is to familiarize school staff and their stakeholders with the timeline, general concepts and some common red flags in securing a facility lease. It focuses primarily on the components of a facility lease and the lease negotiation process, but strives to incorporate key takeaways on the overall process from facility planning and site search to – for charter schools – completing an application for lease aid. This guide is meant to supplement, not replace, working with qualified real estate professionals to guide you through the entire process. Additionally, it is not meant for charter schools leasing from their ABC.

The following guidelines, recommendations and examples are typically experienced with facility leases. A qualified real estate team should help you navigate the typical and the unexpected regarding your next facility lease, always keeping your best interests at the forefront. This part commences by providing an overview of the timeline involved from facility planning to tenant occupancy, then transitions to examples, guidelines and recommendations regarding facility leases and the terms and conditions typical within them. Following are sections on issues related to facility leases: tenant improvements, co-location, and lease aid basics where charter schools are concerned. A glossary further illustrates key terms and other concepts.

This part includes the following sections:

1. Timeline to occupancy

This section helps estimate the amount of time typically required for the phases leading from facility planning to occupancy, and broadly explains the purpose of each step in the process. Schools are always encouraged to reserve at least one year to plan and secure a leased facility, but two or more years is not uncommon.

2. Choosing a lease based on length of need

This section summarizes the benefits and drawbacks of short- and long-term leases, including the option to purchase, in context of a school's current and long-term operational goals.

3. Facility & lease needs decision tree

The decision tree provides a visual format to demonstrate considerations in choosing a short- or long-term lease.

4. Most-negotiated terms & conditions

This section highlights the most-negotiated terms and conditions of a facility lease. Lease structures (triple net, modified gross and gross) are introduced with examples for each. Recommendations for key terms and conditions are provided on a scale from minimum to acceptable to best.

5. Tenant improvement guidelines

This section explains the concept of tenant improvements, and provides examples and guidelines to determine the extent of improvements necessary. Depending on the terms negotiated, it may be possible to secure landlord investment in improvements; this section also provides typical situations in which to secure such investment and reasonable expectations for implementing improvements.

6. Co-location guidelines

This section explores the considerations when a school finds it necessary to co-locate with its landlord, another school tenant and/or another type of tenant. It focuses on three main points of negotiation: use

and scheduling of shared spaces, rent and occupancy costs of shared spaces, and first right of refusal on adjacent tenant space.

7. Lease aid basics for charter schools

For charter schools embarking on new leased space, lease aid is an essential source of funds to assist most Minnesota charter schools with facility lease payments. This section provides Minnesota Department of Education, or “MDE,” rules and other guidelines to utilize lease aid in conjunction with a new facility lease.

8. Glossary

Section 1: Timeline to occupancy

While this guide focuses on facility lease negotiations, it's important to consider the overall timeline when planning for a new facility. There are a number of steps to navigate before a school opens in the new space. The process could take as little as 10 months to two years or more owing to factors outside of the lease negotiation: facility feasibility and space planning, availability of a suitable facility, complexity of tenant improvements, and whether zoning or land use approval is required. What follows is a high-level summary of steps from commencement of facility planning to achieving occupancy.

A facility planning and development process starts with the right professionals:

- **Broker:** Interview multiple brokers in choosing who will represent your school. Ask many questions when interviewing brokers, and capture all agreements in a broker engagement agreement. Some important considerations in choosing a broker:
 - Dual agency is the practice of a broker representing both the landlord and the tenant. How well will a broker represent your interests in a transaction, if it is also representing the owner?
 - Is the broker representing more than one school searching for similar facilities in same area(s)? If yes, will it provide you first right of refusal?
 - How much time will a broker require an exclusive relationship? Brokers typically want a year. Schools should try to negotiate for no more than six months.
 - “Carve outs” is the practice of broker waiving commission on properties under negotiation prior to being hired. If a school is negotiating on a property, particularly a property not being listed, will a broker allow a carve out?
- **Attorney:** Choose an attorney familiar with K-12 school work and, for charter schools, with lease aid.
- **Facility planning consulting and tenant representative:** Some brokerage firms perform this work, but it may need to be contracted separately with a firm that specialize in such services.

(See more under ‘Selecting your facility team’ on page 18 or ‘Directory of facility experts’ on page 55.)

Facility planning & development timeline	
Timeline	Project phase
3 months	Facility feasibility planning – a planning process based on the student demographics and the community a school intends to serve. The plan will define a target area, space needs, facility parameters, multi-year operating budget, and concept project estimate. IFF and certain full-service real estate brokers familiar with charter schools or nonprofits can perform this analysis.

3-18+ months	<p>Site search – the timeline for site search can vary widely depending whether an inventory of suitable facilities exist on the market. For new charter schools, it’s ideal to identify and secure control of a site at any feasible time prior to submitting an application (e.g., with a facility lease contingent upon application approval) to demonstrate how the facility and location aligns with an operator’s program focus including target student demographics. In a strong real estate market, landlords may not want to hold a facility for a long period, but local partners in the quality public school options movement may be able to assist with strategies to secure interest in a facility ahead of authorization.</p> <p>Community engagement – schools are wise to begin building relationships with elected and public officials and community organizations during this period. Charter schools especially, despite a mission to provide access to quality education options, can be perceived as competing with or draining resources or the best students from traditional public schools. So, it’s important to begin building relationships of trust early separately from parent engagement and student recruitment. Elected officials can be helpful when zoning approval is needed, or if other types of access are sought, such as to public parks. In determining their own position, elected officials may take a cue from a school’s support from community organizations.</p>
1-2 months	<p>Facility assessment & cost estimate – every school tenant should want a full understanding of the condition of a facility prior to executing a lease, even if no tenant improvements are desired. A facility assessment examines code compliance and remaining useful life on the structure and all its systems, and provides a rough order of magnitude cost estimate for improvements desired or necessary. The responsibility and cost for any items flagged for immediate attention or desired tenant improvements should be negotiated in the lease. A sample facility assessment is included in the appendix. See ‘Guidelines for tenant Improvements’ for more information.</p>
1-6 months	<p>Lease negotiation – a letter of intent, or “LOI,” and short-term lease with no tenant improvements can generally be completed more swiftly than long-term leases with tenant improvements. The sections that follow provide guidelines and knowledge to assist a school in the LOI and lease negotiation phase.</p>
Up to 12 months AS REQUIRED	<p>Design & entitlement – for school leases with tenant improvements, architectural drawings and permits (e.g., building) may be required prior to commencing construction. Additionally, any zoning review and approval required is completed during this phase. These items, as required, need to go through a review process to gain local jurisdictional approval, a process referred to as “entitlement.” To demonstrate the components of the design and entitlements phase, a sample timeline from the city of Minneapolis is included in the appendix.</p>
2-8+ months	<p>Construction – the process to complete construction drawings (if required) following receipt of permits and to complete construction could take from 2-8 months depending on the scope of work.</p>

1-2 months	Construction completion & occupancy – once construction reaches substantial completion, the facility is inspected by local, regional and/or state jurisdictional bodies and an occupancy/certificate permit will be issued. During this phase, the “punch list” (e.g., paint touch ups; missing switch plates, inoperable electrical fixtures and plumbing) are completed and move-in can commence.
1-2 months	Lease aid application – with an occupancy permit in-hand, charter schools can submit its lease aid application. Much of the work to prepare the application can be prepared and submitted sooner, but MDE will now review the application without the occupancy permit. See ‘Lease aid basics’ for more information.
Summary of timeline	
3 months	Facility planning
5 months to 2+ years	Site search and lease negotiation
2 months to 2+ years	Design (as needed), entitlement (as needed), construction
1-2 months	Lease aid application (charter schools)

(See more about timelines under ‘Creating a project timeline’ on page 11.)

Section 2: Choosing a lease based on length of need

Finding the right property for your school and securing it with the right lease go hand in hand. This section focuses on various purposes of leasing, and the advantages and disadvantages of each. A school's reason for leasing space can vary widely, but can be broadly captured in four purposes:

- Short-term lease
- Long-term lease
- Long-term lease with purchase option
- Long-term lease from charter school's own building corporation

The last category pertaining only to charter schools – a school leasing from its own ABC – isn't explored here as the parties, landlord and tenant, share the same mission and goals. Thus, there shouldn't be any adverse outcomes in such a lease. Charter schools should consult their real estate attorney and MDE for more information on facility ownership via an ABC.

As discussed under 'Timeline to occupancy,' facility planning is an important first step in determining a number of parameters impacting facilities in the short- and long-term before a site search commences and a school begins to explore how long a lease it will require. For charter schools, the facility planning process ideally happens before or as part of preparing its application to an authorizer, and explores and sets parameters in line with operations goals such as:

- How fast a school will ramp-up (if not already at full enrollment);
- How many students at capacity is best suited to a school's model;
- Whether it will be a single school or eventually operate multiple schools as part of a network; and
- Whether it will operate elementary, middle and high schools in one facility or multiple (if serving all grades).

Short-term leases

Every school wants a long-term-permanent home for its staff, students and their families, but sometimes more flexibility is needed and a short-term lease is a better option. A short-term lease – five years or less – might be appropriate if a school for whatever reason isn't able or ready to make that commitment. Such a situation could arise from a new school needing to incubate in a small facility or in a co-location agreement until it has grown enough to require and afford long-term space, or a school couldn't find a space of the right size or location by its deadline so will lease an alternative space in the short term.

Advantages of short-term leases:

- Mobility – A school is not limited to the space for long, but secures a location from which to operate while it searches for a more optimal facility or establishes credit with owner to renegotiate a long-term lease (such as in context of adding an addition to facility or securing tenant improvements).
- Faster – Short-term leases are usually faster and less complex to negotiate. An owner typically is not going to invest large sums in a short-term lease, so there are generally few tenant improvements over which to scope out and negotiate.

Disadvantages of short-term leases:

- Future is less certain – A school tenant doesn't have long-term security of occupancy or certainty of occupancy costs beyond the short-term. There is also always a risk that the owner may sell or decide to take the building in a new direction, leaving the tenant unable to negotiate a new lease or renewal terms if it wishes to stay longer.
- More expensive – Short-term leases often end up being costlier for schools because the rental rates are usually higher to help the owner absorb the cost of more frequent tenant turnover. Costs to tenant are further escalated due to higher expenses associated with more frequent relocation and the campaign for community engagement and recruitment at a new location.

Long-term leases (lease only)

Long-term leases typically have an initial term of at least five years, with equal or shorter terms on renewal options. Once a school has enough operating history and enrollment to feel certain about its space needs and location, a long-term lease makes sense from programmatic, operational and financial lenses. Ideally a school tenant would want an option to purchase under any long-term lease, but that option is not always available. Many churches will never sell their real estate assets, and developer landlords that work in the K-12 space do so for the income, so are unlikely to offer a purchase option.

Never lease outside a school's target area

The search for leased space sometimes can be a long and frustrating process, leading schools to open their search to communities completely outside of target area(s). This is highly discouraged, unless the school feels it has done the necessary research and is prepared to make a different geography (not necessary facility) its long-term home. A school is never advised to locate somewhere simply because of an available facility, with an assumption it can successfully move to another geography once a more suitable facility can be secured.

Advantages of a long-term lease:

- More bargaining power – Landlords typically prefer long-term leases, and if a school tenant can commit to one it has more leverage to negotiate terms such as tenant improvements. Such incentives or concessions like lower rents and more flexible terms can make long-term leases more financially feasible.
- Plan for the future – A well-negotiated long-term lease that provides necessary tenant improvements, reasonable growth in costs over time and clarity on owner and tenant responsibilities for the property, even without the possibility of ownership, can provide a path to a quality permanent home for a school.

Disadvantages of a long-term lease:

- Lengthy negotiations – The complex nature of long-term leases can make for a slower negotiation process, especially the work to assess, estimate costs and finalize a plan for tenant improvements. A school searching for a long-term lease needs to allow more time to negotiate the lease and complete tenant improvements, in addition to the site search itself. A recommended timeline for a school to move from site search to occupancy is included in the opening section of this guide.
- Less mobility and flexibility – The trade off to secure better rates and more owner investment with a long-term commitment, is giving up flexibility to move if needed. Tenants may not be able to secure an option to terminate the lease at mid-term even with favorable financial terms to the owner, giving a school the opportunity to move if needed. This can prove problematic if a school grows much faster (or slower) than projected, or a facility with a purchase or more optimal lease option comes on the market.

A tenant is always a tenant

In a long-term lease with no option to purchase, a tenant will always be a tenant. This might be limiting in terms getting a landlord to agree in mid-lease on unplanned facility improvement or physical expansion needs that arise.

Long-term lease-to-purchase

A long-term facility lease with an option to purchase provides the most flexibility for school tenants in making decisions about a property. An option to purchase means that the tenant is able to purchase the property under certain conditions with regards to time and cost. Such an option is only as beneficial to a tenant as the specific conditions in which it's conveyed in the lease, and is discussed further in 'Guidelines for most-negotiated lease terms and conditions.' A lease with purchase option is typically accomplished via two approaches:

- Long-term lease with purchase option
- Developer purchases a facility on behalf of a school for turnkey lease-to-purchase

Long-term lease with purchase option

The advantages and disadvantages are the same as a long-term lease above. The additional advantage of a purchase option is that it gives a school tenant a path to ownership and future control of costlier or controversial facility improvements or physical expansion that the landlord might not agree to under a scope of tenant improvements.

A purchase option is a great way for a school to have time to develop credit history, and to save and/or raise equity toward the purchase. It's also a great hedge against market conditions. If a purchase price is identified upfront (vs. appraisal or another approach to determine it at time of option), a school is protected. Still, it's an option to buy, not a promise to buy, so if prices go *down* significantly during the term of a lease, a school should try to renegotiate before exercising the option.

Developer turnkey lease-to-purchase

Here, a developer and school tenant are working in partnership to create a path to ownership for a school. Such agreements can be particularly helpful for charter schools that cannot legally own until it has met the required six years of continuous operations and other benchmarks, because the lease term can bridge to that period at which a charter school's ABC can legally purchase on behalf of the school.

While ownership is still an option under this approach, it's fully expected it will be exercised by the tenant. As such, the developer and school will work closely to structure a lease that incorporates tenant improvements to not just make the facility K-12 code compliant, but to meet the unique program needs of the school.

The developer's total project costs including acquisition, tenant improvements, and financing costs translate to two tenant costs under the lease:

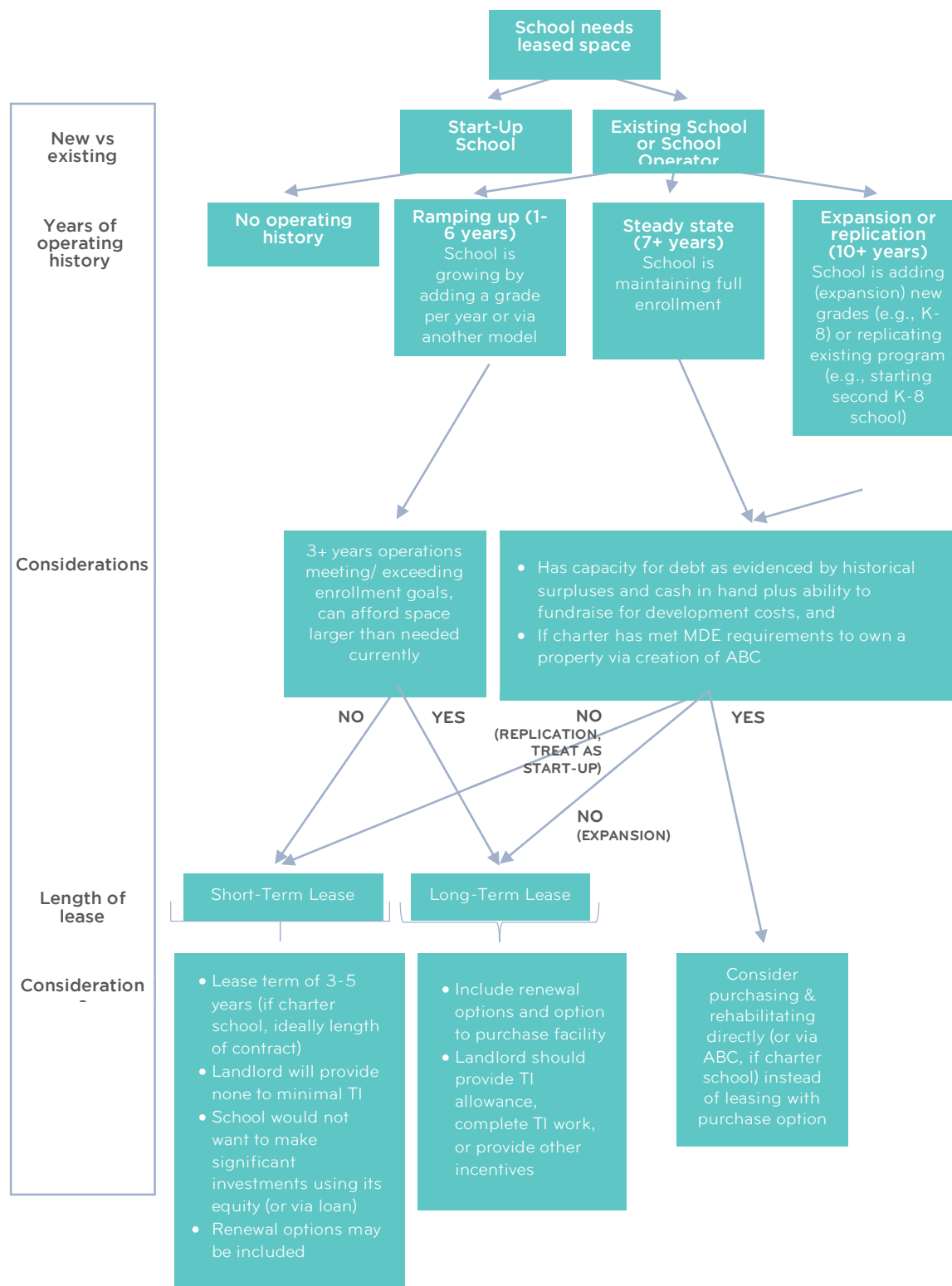
1. Annual rent needs to be high enough to cover developer debt service but low enough to be manageable within school tenant's operating budget (and ideally lease aid if a charter school); and
2. Acquisition price needs to be high enough for a developer to pay off its debt and low enough (supplemented by capital campaign cash or other equity) to enable a school tenant (or a charter school's affiliated building corporation) to structure financing that's affordable to the school when it moves from tenant to owner.

Because this approach is more of a partnership to transition the school from tenant to owner, the developer should work with a school to optimize costs and lease term (years) to make the lease feasible to the school. For example, the developer can help the school tenant make tradeoffs in tenant improvements to bring down costs to a level that makes the project financially feasible while not comprising school's ability to deliver programs in the new facility, or might be willing to move the purchase option a year or two further out to ensure the tenant is more prepared to transition to owner. While the developer and its lenders will underwrite the transaction, it is essential for a tenant to be certain in its financial capacity to make the transition from tenant to owner.

As is stated throughout this guide, before beginning any search for and negotiation on a new leased site, a school should take the time to secure a qualified team of real estate professionals to assist including an attorney, broker and owner's representative should any tenant improvements be contemplated.

Section 3: Decision tree

This decision tree provides a visual format to demonstrate considerations in choosing a short- or long-term lease.



Section 4: Guidelines for most-negotiated lease terms & conditions

The opening section of this guide provides a list of terms to be incorporated into any facility lease, including those specific to charter schools. This section focuses on those terms most often negotiated between a school tenant and its potential landlord, and is explored in three sub-sections.

Types of leases:

- Provides explanation on the three most common structures of facility leases.

Guidelines for key lease terms and conditions:

- For terms with a distinctive range of outcomes, provides guidelines for minimum, acceptable and best outcomes.
- For other key terms, provides general guidelines.

Total facility cost:

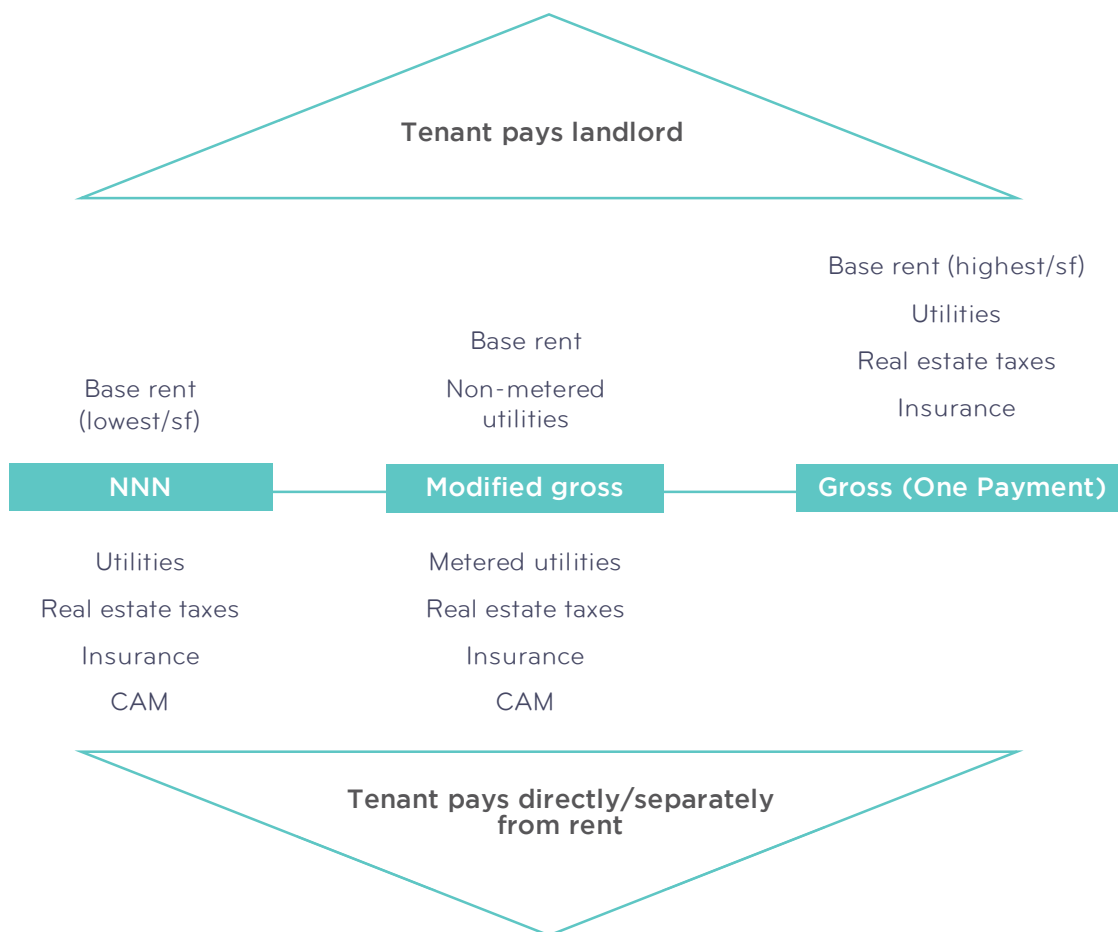
- Not a lease term, rather a cumulative total of facility costs (i.e., base rent, occupancy costs and other facility-related operating costs such as facility personnel) delineated in the terms and conditions of a lease. Here, guidelines are provided along with a benchmark for total facility costs relative to a school's total operating budget.

To save all parties time in negotiating lease terms, school tenants should begin negotiations with a LOI that incorporates the tenant's essential terms and conditions: number of years and quantity for initial term and successive renewal options, base and gross rent, and tenant improvement allowance. Once the LOI is mutually agreed, a full lease generally can be negotiated with relative swiftness and ease.

Lease structures

Triple net (NNN)	Net or modified gross	Gross
<ul style="list-style-type: none"> Regardless of lease structure, clear expectations around facility maintenance and janitorial services must be set at the onset. If not, tension around the delivery and quality of these services can occur between the landlord and tenant. See more guidelines below in ‘Guidelines for key lease terms.’ Under a triple-net or modified gross lease, a school tenant may need to commit to a capital plan to ensure the facility is maintained to the owner’s satisfaction, even though cost and responsibility for all or part will fall to tenant. 		
<ul style="list-style-type: none"> A triple net lease requires a tenant pay all (or nearly all) facility occupancy (the “NNNs”: real estate taxes, insurance and common area maintenance, or “CAM”), utilities and other facility operating costs on top of rent. Tenant is responsible for all (or nearly all) the costs and responsibility for facility and grounds operations (e.g., the owner might retain responsibility to repair/replace major systems such as boiler or roof, but the tenant is responsible for annual maintenance). Triple net leases tend to work best when a school tenant leases an entire facility (i.e., no co-locating) under a long-term lease, as the tenant can structure utilities, facility maintenance and other services to be most efficient for the school (e.g., a tenant can choose to upgrade to more efficient lighting and reap the energy savings in its utility bills, or hire as personnel a building engineer or custodian vs contract for such services based on tenant’s cost/benefit analysis). 	<ul style="list-style-type: none"> A lease that’s a hybrid of a triple net and gross lease is often referred to as a net or modified gross lease. For example, an owner includes in base rent real estate taxes and property insurance (both eligible lease aid expense where charters are concerned) and charges tenant for utilities and facility maintenance (e.g., maintaining boiler, roof, elevator, storm water systems) which collectively total gross rent. The tenant is responsible for all else. To ensure clarity of costs and responsibility for performing each, classify “structural,” “mechanical,” and “cosmetic” improvements and provide definitions of each. 	<ul style="list-style-type: none"> A gross (also known as a full or absolute gross) lease is typically the most tenant friendly lease from the perspective that it requires tenants to make a single monthly lease payment with no other expenses. All property expenses are incurred by the landlord including utilities, property taxes, property insurance, maintenance and janitorial expenses. Tenant should clarify if there are limits on utility consumption and the scope of the maintenance and janitorial services included with a gross lease. <p>For charter schools:</p> <ul style="list-style-type: none"> To make a gross lease eligible for Lease Aid it must show gross rent that delineates base rent (including taxes, owner’s insurance and other expenses) from utilities.

For charter schools: If utilities costs reported do not seem appropriate per MDE for the age and square footage of the building, the school will be asked to document costs and may see lease aid reduced as a result.



Guidelines for key lease terms

Minimum	Acceptable	Best
Lease term & extension options		
<ul style="list-style-type: none"> Initial lease term of three-five years, for facilities with no to minimal investment in tenant improvements, or “TI” Minimum of six-month notice of renewal <p>For charter schools:</p> <ul style="list-style-type: none"> Initial lease term tied to length of charter contract Lease aid requires lease terms to begin/end July 1/June 30, respectively 	<ul style="list-style-type: none"> Includes successive renewal terms sufficient for school to reach and maintain enrollment capacity within facility for a full term; at which point a school tenant can negotiate for new term, additional tenant improvements, and/or purchase (e.g., if a new K-8 program with three-year contracts with its authorizer intends to open with kindergarten and first grades and add one grade per year it will reach enrollment capacity in eight years; thus, the school might seek a three-year initial term with two three-year renewal options) Minimum of one-year notice of renewal <p>For charter schools:</p> <ul style="list-style-type: none"> Meets “minimum” Successive extension terms sufficient to build the operations experience necessary to create an ABC 	<ul style="list-style-type: none"> Meets “acceptable” Landlord provides at least as many renewal terms so that collective annual gross rent and tenant investment amortized over total years (initial term + renewal terms) is competitive with similar facilities in market Landlord provides options to expand and/or contract (e.g., termination clause); in this case, rent shall be determined at time of lease execution and any TI allowances may also be included with expansion options Includes purchase option with mutually agreed terms on acquisition price and timing of option
Condition of property, including condition impacted by tenant improvements		
Minimum	Acceptable	Best
<p>Facility is, as-is or will be after TI in a condition that’s clean (e.g., new paint, cleaned or new carpeting/flooring), well-lit (preferably LED lighting), well heated, and meets or exceeds any code required for occupancy</p>	<ul style="list-style-type: none"> Meets “minimum” Lease includes clear scope of work, timing, costs and TI allowance for any owner-provided tenant improvements beyond “minimum” and other incentives if tenant is funding improvements (e.g., 1 month free rent per annual lease term); includes penalty if owner defaults on TI 	<ul style="list-style-type: none"> Meets “acceptable” Facility is or will be improved to reflect the unique programming needs of the school (e.g., classroom sizes, ability to effectively utilize technology) at landlord’s expense; if landlord is performing the improvements, the initial rent payments should start once the facility is ready for occupancy

Use of property, including shared spaces as applicable		
<ul style="list-style-type: none"> Tenant will have exclusive school use of premises during school days/year, and access to needed spaces for a “to be scheduled” minimum amount of school year evenings/weekends and summer school weeks Tenant has right to use property for school-affiliated clubs and community-based uses (e.g., community policing meetings, voter registration, Girl Scouts) Tenant has access to parking areas, loading docks and elevators, among other required areas 	<ul style="list-style-type: none"> Meets “minimum” If shared spaces, defines mutually agreed scheduling process enabling school to confirm exact evening, weekend, summer dates/times well ahead of need 	<ul style="list-style-type: none"> Meets “acceptable” If shared spaces, mutual calendar is set prior to each academic year at minimum

Base rent		
Minimum	Acceptable	Best
<ul style="list-style-type: none"> Equates to a cost/SF that's comparable to similar facilities or leased premises on the market; a tenant's real estate broker can provide comparable data <p>For charter schools:</p> <ul style="list-style-type: none"> Reflects any sharing of leased premises – see 'Co-location guidelines' for more information Base rent should equate to conservative enrollment projections; see total facility costs below to avoid a charter school being committed to facility expenses far beyond what lease aid will approve 	<ul style="list-style-type: none"> Meets "minimum" Escalation of base rent in subsequent years tied to incremental space leased and recent historical rent escalation trend for commercial buildings and in neighborhood/city; tenant's broker will provide comparable information on the rental market <p>For charter schools:</p> <ul style="list-style-type: none"> Escalation in future base rent should not be tied to growth in students (e.g., increasing lease aid payments), but can be difficult for tenant to avoid in negotiations Lease aid pays 90% of approved facility costs; any increase in base rent equating to enrollment with no added benefit to school (e.g., space or services) means an increase in tenant's 10% "out of pocket" contribution to facility costs with nothing in return While lease aid doesn't allow enrollment to be directly tied to rent in lease conditions, it may be possible to insert language that allows base rent to be increased to a secondary \$/SF if higher enrollment of "X" vs. "Y" occurs; an attorney familiar with charter school facility leases should advise on likelihood of this approach in a given academic year; this helps protect tenant from unfeasible rent and benefits landlord from earning sufficient 	<ul style="list-style-type: none"> Meets "acceptable" Escalation in future annual gross rent/square foot does not exceed 5% or CPI, whichever is lower

For charter schools, it can be easy to fall into a negotiation based on lease aid/enrollment, instead of on base rent in context of market rates. Charter schools should not hold the assumption that “maxing out” lease aid is its default negotiating position; the stronger a school’s financial and enrollment history, the stronger its negotiating position. Instead, a school should work with its broker to understand the market rent for typical facility and neighborhood, and costs of TI. Use any gap between market rates and “max lease aid” as negotiation leverage, remembering that real estate taxes and owner’s building insurance are eligible lease aid costs and/or asking a landlord to perform some or all tenant improvements in exchange for earning above market base rent.

Security deposit		
Minimum	Acceptable	Best
<ul style="list-style-type: none"> Up to three months of base rent for schools with no operating history Reduce security deposit to one month (and release remaining funds to tenant) at conclusion of initial term/start of extension term Any amount agreed to is fully refundable if tenant meets lease conditions within 60 days of lease termination or as determined by law 	<ul style="list-style-type: none"> Up to two months of base rent Any amount agreed to is fully refundable if tenant meets lease conditions within 60 days of lease termination 	<ul style="list-style-type: none"> One month of base rent or none required Any amount agreed to is fully refundable if tenant meets lease conditions within 60 days of lease termination

Occupancy costs (taxes, building insurance, common area rent)
<ul style="list-style-type: none"> Accurately reflects any sharing of leased premises beyond common areas – see ‘Co-location guidelines’ for more information. Equates to a cost per square foot that’s comparable to similar leased facilities or premises on the market; a tenant’s real estate broker can provide comparable data. <p>For charter schools:</p> <ul style="list-style-type: none"> Because lease aid includes real estate taxes and building insurance as an eligible expense, these two costs should be included in base or gross rent so they are captured as part of total eligible facility lease costs under lease aid.
Costs to operate facility & responsibility to perform such operations
<ul style="list-style-type: none"> Costs to operate the facility – utilities, janitorial, waste disposal, security, facility and grounds maintenance/repair, and repairs/replacement of major building systems (e.g., roof, boiler, plumbing, electrical) – should accurately reflect any sharing of spaces; see ‘Co-location guidelines’ for more information. In instances where a school is renting an entire facility (i.e., no co-location) via a long-term lease, it’s typical for the tenant to be responsible for all costs to operate the facility; before agreeing to such a condition in a lease, a school tenant is strongly encouraged to obtain an opinion on the condition of the facility and all its systems (e.g., estimated remaining life and cost to improve or replace); such an assessment can be undertaken as part of planning for TI with the assistance of an owner’s representative experienced in K-12 facilities. For annual maintenance on major building systems, the lease must be clear on who pays for maintenance and who performs it; for example, an owner may perform annual boiler tending but charge the tenant for this work. A school tenant that’s unable to secure more owner investment in facility operating costs and/or tenant improvements relative to years provided in lease term should negotiate for prorated reimbursement to school tenant by owner to prevent tenant from over improving an owner’s assets for which it could lose control. <p>For charter schools:</p> <ul style="list-style-type: none"> Costs to operate the facility are ineligible for lease aid The lease aid application specifically calls out utilities, stating that if utilities costs reported do not seem appropriate per MDE for the age and square footage of the building, the school will be asked to document costs and may see lease aid reduced as a result

Total facility costs (charter schools)

- Includes all facility costs making up base rent, gross rent, annual amortized tenant improvements (e.g., tenant facility debt), and facility personnel costs (e.g., custodian and/or building engineer on staff), tenant's content and liability insurance, annual furnishing/fixtures/equipment expense.
- Total eligible costs anticipated to be approved under lease aid should relate to projected total enrollment for each lease year that's equal to low end of the range (e.g., a school tenant anticipates year one enrollment under a new lease will be 175 to 200 students – not pupil units, total eligible facility costs based on the proposed lease anticipated to be approved under lease aid should equate to total enrollment of no more than 175 students; this helps insulate the school from added facility costs should enrollment be lower than anticipated). (Note: This guideline is in addition to that discussed above under base rent.)
- See 'Basics of lease aid' for more information on eligible facility costs and the formula to estimate lease aid.
- Based on financial data from charter schools throughout the Midwest compiled by IFF, a nonprofit community development financial institution, financially healthy charter schools tend to operate with total facility costs in the following ranges; note that relative facility costs will likely be higher in early/ramp-up years.

Minimum	Minimum	Minimum
Total facility costs are 18% to not more than 20% of total operating expenses	Total facility costs are 15% to not more than 18% of total operating expenses	Total facility costs are less than 15% of total operating expenses

Other red flags in lease conditions:

- Cure period is the time period to resolve any tenant defaults
 - Seek no less than 60 days, preferably 90 days.
- Tenant liability insurance
 - Requirements should place coverage limits for charter schools in line with state charter school statute, section 466.04 (see statute online for more information).
- "Mutually agreed" renewal options
 - Any requirement – other than the tenant being in good standing/not in default – interfering with a tenant having the power to exercise its renewal option is not in fact a true option. Requiring the owner and tenant "mutually agree" on renewal provides no guarantee that school will be granted renewal.
- Holding over allows tenant to legally occupancy the space after lease termination; a good buffer if new space/facility is delayed short term.
 - This is essential should a tenant need more time until its new facility is ready for occupancy. Typically, occupancy in a holding period is priced at 150% of gross rent.

Section 5: Tenant improvements guidelines

TI, also known as leasehold improvements, are the facility improvements necessary for the tenant to occupy the space. These include construction and related costs, which are a key element when evaluating the total cost of a lease. TI can be funded and managed by the parties to a lease in a number of different ways:

- Landlord funds and manages all TI
- Tenant funds and manages all TI
- Landlord provides a TI allowance toward the cost of TI; either tenant or landlord manages planning and execution of TI

The areas relevant to TI explored in this section are:

- Types of TI
- TI allowance
- Guidelines for Negotiating a TI allowance
- Guidelines for structuring TI scope within a lease
- Red flags

Types of TI

Most facilities require some level of repurposing and/or rehabilitation to be operational for K-12 use, as the inventory of facilities built for K-12 use is relatively small. It is essential that a school tenant works with an owner's representative or other real estate professionals experienced with leasing and with renovating K-12 school facilities to identify the total costs of and timeline to complete TI prior to finalizing negotiations on a lease agreement. If landlord is to lead the oversight and coordination of this work, a school tenant must always get a second opinion of the landlords' plans and cost estimate from a qualified real estate professional representing the tenant's interests.

Building change of use (zoning)

This discussion of TI doesn't include zoning approval. Whereas TI include facility improvements necessary to meet building code requirements to secure occupancy for K-12 use, zoning is a municipality's process of determining what types of residences, businesses and other uses are allowed at a certain address, on a certain block or in a certain area of the city or neighborhood. Zoning approval in some capacity is likely required for a facility that hasn't previously housed a K-12 school. The process to secure zoning approval can be time consuming and costly, so schools negotiating to lease a facility not currently zoned for K-12 use should be certain they're partnering with real estate professionals who are experts on zoning.

TI generally falls into two buckets

- a) Those required by building or other legal codes, or
- b) Recommended/desired by tenant

Whether the landlord or tenant is coordinating TI, it's best to start with an assessment of the facility to identify and agree on needed improvements and then estimate cost. Included in the appendix is an example of a facility assessment identifying required and desired improvements, and a rough order of magnitude cost estimate.

Required tenant improvements

1. Building codes – Regulated by the same local government agency that will approve a tenant for occupancy and are applicable to the building structure (e.g., foundation, walls, roof); building envelope (e.g., doors, windows); and mechanical (including heating, ventilation and cooling), electrical, and plumbing systems. Depending upon the amount of work intended, a facility will need to conform to some or all building code requirements. The smaller the scope of improvements, the more a local government body will allow existing nonconforming code issues to be "grandfathered" in as part of TI. Larger scale projects could trigger a need for all code issues to be addressed.
2. Accessibility – The same local government body will determine the extent to which ADA regulations will mandate expansion of bathrooms, addition of disability ramps and elevators, among other areas of

accessibility. As noted above, smaller scopes of TI may allow some non-compliant accessibility issues to be grandfathered; however, in order to make school spaces as accessible to the widest possible range of disabilities experienced by students and staff, school tenants are encouraged to invest in as much TI to address ADA as its budget allows.

3. Life safety – These are items that are key to eliminate conditions that cause fire or loss of life. Improvements may include means of egress, specifications of doors, size of hallways, fire separation walls, sprinkler systems and emergency lighting, among others. Non-compliant life safety issues are almost never allowed to be grandfathered in, so a school tenant should expect to be compliant on life-safety code in order in order to legally occupy a premise.

TI allowance example

A landlord offers TI allowance of \$5/SF on a 60,000-SF leased premises equates to \$300,000 toward the total cost of TI, for which the tenant will pay \$15/SF in gross rent. The cost of total improvements needed by the tenant is \$500,000. The school would want to negotiate payment of the TI allowance up front by the landlord, so that the tenant would pay \$200,000 for TI costs from other sources, such as its own equity or a loan.

Recommended tenant improvements

1. Modernization and design – The improvements to create the floor plan and other facility elements that will enable a school to deliver its programs as intended (e.g., a former K-12 facility may have corridors flanked by large classrooms, whereas a school tenant today might want small breakout rooms with large open areas for independent study, or a high school tenant today might want a yoga and weight room in addition to a gymnasium).
2. Building structure, envelope and systems (non-code related) – In addition to addressing code requirements, the facility – especially if being readapted from another use – may need an array of building improvements, such as tuck-pointed exterior walls, updated plumbing fixtures (e.g., new sinks, faucets), roof repairs or a new boiler.
3. Technology – Upgrades, such as increased wiring to expand information systems, are often key for today's K-12 programs.
4. Green design – Incorporation of any environmentally beneficial design, such as low-flow toilets and more energy-efficient windows or lighting, as budget allows.
5. Quality Improvements – At a minimum, a K-12 space should have no unrepaired breakage or damage in the facility, and open with fresh paint, new or clean carpeting/flooring and quality LED lighting.

Tenant improvement allowance

Once the tenant has identified the required TI costs, the next step is to negotiate the TI allowance, which will have a significant impact on the total cost of the lease.

Most landlords will offer some type of TI allowance expressed as an amount per square foot of the leased space or a dollar allowance. A TI allowance helps to offset the upfront capital investment required before the tenant is able to occupy the space and is subject to negotiation.

The TI allowance should be requested at the time of the LOI. There are many factors that determine if a landlord will provide a TI allowance and the amount, such as:

- Tenant's credit: Demonstrated operating history and cash flow to afford base and gross rent.
- Rental or lease term: How many years tenant wishes to occupy the space, what tenant is willing to pay for rent and other occupancy costs, and tenant's other conditions; see section on 'Most negotiated terms and conditions.'
- Market demand: Level of investment a landlord is willing to make in TI will align with the speed at which neighborhood or location is evolving, and landlord's expectations of higher rent or higher sales price for a different type of use in the future.
- Property's condition: A landlord is generally willing to make tenant improvements to ensure core building structure and systems are operable under normal use (e.g., electrical load, water use, lowest requirements for life safety); and will negotiate a TI allowance to further customize the space and meet codes for K-12 use.

Guidelines for negotiating a TI allowance or alternatives

- Uses of TI allowance – The lease should clearly define the types of costs for which the TI allowance may be used. While the landlord will want to see that any TI allowance goes into the building, the tenant should negotiate that it also can be applied to toward tenant’s soft costs (i.e., architect, project manager/owner’s representative, engineer, and attorney), moving costs and telecommunications.
- Longer-term lease – If school can commit to a longer-term lease, this solution is often viewed favorably by landlords. Longer-term leases offer landlords more stable and predictable cash flows, and make it easier to forecast future cash flows and delay exposure to future re-leasing expenses.
- Amortizing tenant portion of TI through rent – If a school tenant is unable to secure a TI allowance to cover 100% of total project costs, especially likely if a building is being completely readapted from another use for K-12 use, a school can ask the landlord to amortize the tenant’s share of TI through rent. This has two potential benefits, it reduces or eliminates a large upfront capital outlay by the tenant and – when the tenant is a new school – it provides an alternative source of financing for tenant’s share of TI because a new school may find it difficult to secure financing from a commercial lender.
- Rent reduction in lieu of TI – If a landlord is unwilling to contribute any amount in a TI allowance, discuss a period of rent reduction or abatement as an alternative. A landlord may be willing to accept reduced rent rather than provide TI capital outlay up front.
- Leasehold mortgage for tenant financing – If the school tenant finances any TI through a loan from a commercial lender, the lender typically will require that the school have the ability to assign the lease to the lender and/or provide the lender with a leasehold mortgage interest in the property.

Guidelines for structuring TI scope within a lease

- Document TI scope as part of lease – Include as an exhibit to the lease all the details of TI/the construction plan and the scope of work responsibilities between landlord and tenant. Unless the landlord is performing the work, limit landlord’s review of scope, drawings and timing once project is underway.
- Negotiating project timeline – Ensure the TI scope of work and any related zoning changes needed can be completed prior to the date of occupancy. This date should be a few weeks prior to the first day of classroom instruction to allow time for teachers and staff to prepare classrooms, run staff meetings, and conduct open houses for families. If the landlord is controlling the scope of work, negotiate a landlord penalty if the work and a certificate of occupancy is not completed by the mutually agreed date.
- Disbursement of TI allowance – If the tenant is overseeing the TI, they’ll want to make sure to structure disbursement of the TI allowance to align with payment to contractors and vendors so as to minimize upfront capital. Landlords may prefer to pay allowances in a one-time lump sum after tenant completes its work and has satisfied all conditions to payment and the school is occupied; however, tenants generally want the allowance paid as soon as possible and may not be able to finance improvements and get reimbursed. Payments may be structured based upon an agreed timeline, a percentage of work completed, in monthly disbursements, or within a certain number of days after invoices are submitted. Landlords should set a date by which tenant’s last request for disbursement may be submitted so that landlord can close its books. The lease should also specify whether payments will be made to tenant, or directly to the contractor.

Charter school & lease aid for TI

Regarding costs of TI for charter schools, MDE is agnostic on the subject and does not list these costs as either eligible or ineligible for lease aid. Thus, it’s recommended that charter schools consult with an experienced real estate broker or attorney familiar with charter school facility leases in Minnesota. These professionals can offer recommendations during a facility lease negotiation on what MDE is inclined to approve when it comes to the cost for TI being treated as an eligible cost under lease aid. See ‘Basics of lease aid’ for more on TI in context of the lease aid program.

Red flags

- Landlord-controlled TI.
- A landlord agrees to fund and lead the execution of TI, but doesn't provide detail on cost, scope of work and timing in lease draft, or worse, makes only verbal promises.
- Short-term lease with significant TI allowance.
- A landlord that wants a school to contribute a lot of cash for TI, but will only agree to a short-term lease.
- Base rent and TI allowance.
- Landlord does not provide a TI allowance, nor will complete any required TI on a long-term lease when base rent in line with market rates.
- Restoration of TI.
- Some landlords want tenants to “restore” their leased space when they leave. Tenants shouldn't agree to such an arrangement. Since almost every tenant has needs that require modification of the space, restoring the space would add significant costs to the tenant. Essentially, a school tenant wants a landlord intending to maintain a property for K-12 use over the long term, rather than reverting it back to another use.
- It cannot be overstated how important it is for a school tenant to work with an owner's representative or other real estate professionals to structure TI, regardless of which party is managing and paying for these costs.

Section 6: Co-location guidelines

Co-location is the placement of multiple entities in a single facility, and may include shared use of spaces among tenant(s) and/or landlord. Schools might co-locate intentionally with other nonprofits such as with health centers or early childhood education providers to drive programmatic collaboration to better support local families. More often, however, schools co-locate with churches, other schools or unrelated tenants out of necessity. A school might co-locate out of necessity because:

- The facility is already built out for education purposes such as a former parochial school building, so requires far less investment in TI in order to achieve occupancy. In the instance of a church landlord, often this means the school has to share use of the gymnasium, kitchen, sanctuary or auditorium, parking lot and other such spaces with the church on evenings and weekends, and during the summer.
- The facility is larger than needed for one school tenant, so a landlord rents to multiple schools. Sometimes there is shared use of spaces within the facility, sometimes each school campus operates completely self-contained including with separate entrances.
- A space of the right size and location is available in a facility designed for retail or commercial use. The school leases a portion of the facility for its exclusive use (with appropriate zoning to operate as such) and has adjacent non-school tenants above or on the sides.

This section focuses on the later – co-locating or sharing space out of necessity – and provides guidelines to help schools negotiate for the use and cost of space in such a scenario. Three areas of lease negotiation relevant to co-location or sharing space with a landlord and/or other tenants are:

- Use and scheduling of shared spaces;
- Rent and occupancy costs of shared spaces;
- Co-locating with another school; and
- First right of refusal on adjacent tenant space.

Use & scheduling of shared spaces

In a situation where a school will have to share the gymnasium, kitchen, cafeteria, parking lot or even classrooms with the landlord or another tenant, it must negotiate for as much exclusive use of space as possible.

For example, a church landlord needs to use its education building for Sunday coffee hour and Sunday school, summer camp, board meetings and funerals (e.g., kitchen use for coffee). A school needs its space, in addition to normal school use, for parent nights, board meetings, professional development trainings and summer school. Below are two hypothetical conditions in a lease for the same set of school space needs:

1. ACME school will have exclusive use of the gymnasium, kitchen, cafeteria, parking lot and all classrooms from 7:30 a.m. to 5 p.m. Monday-Friday during the academic year; and on evenings, weekends and summer school days when not in use by the church. The landlord will work in good faith with tenant to accommodate tenant space requests outside of the regular school day and school year.
2. ACME school will have exclusive use of the gymnasium, kitchen, cafeteria, parking lot and all classrooms from 7:30 a.m. to 5 p.m. Monday-Friday, plus for at least four weekday evenings per month and for at least two Saturdays per month during the academic year. Evening and weekend usage will be mutually agreed on a shared calendar prior to the start of each quarter and will include their board approved school calendar. At the start of each calendar year, ACME school will have first preference of six consecutive weeks during the summer months to reserve for its exclusive use of the gymnasium, kitchen, cafeteria, parking lot and all classrooms and offices from 7:30 a.m. to 5 p.m. Monday-Friday.

The former example leaves to the school vulnerable to scheduling challenges with students, families and staff. The later helps ensure the school will have predetermined access to needed spaces in order to maintain and communicate a school calendar.

Rent & occupancy costs of shared spaces

In a co-location situation where spaces are shared between a school tenant and the landlord or another tenant it's important a school tenant not pay for more than its share of gross rent for occupying common areas or shared spaces. If a school doesn't have access to a given room or space on a 24/7 exclusive basis, it shouldn't pay for use as such. Rent on shared rooms or spaces should be based on a school's percentage shared of use. The same is true for utilities, custodial, parking lot snow removal, etc. on spaces that are shared; these charges as part of Gross Rent should reflect a cost based on shared use. For example, a school tenant's gross rent (base rent plus utilities and other occupancy costs) on classrooms also used by a church landlord for its bible study group one night a week and every Sunday should reflect this shared use.

Calculating tenant costs on shared spaces

A school tenant leases from a church, and will share several spaces with its landlord. The parties have agreed on scheduling of different spaces. Assume the following. The school tenant is renting 20,000 SF from a property that's 60,000 SF total. School tenant will have exclusive use of the gym, kitchen and cafeteria roughly 75% of the time over the course of school days, evenings and weekends, and summer months. Those spaces total 7,500 SF. A load factor calculation incorporates the sharing of spaces to identify the amount and percent of total space used by the school tenant. In this example, of the 20,000 SF the school tenant will lease, it has exclusive use of approximately 90% (which is approximately 30% of total SF of the property). Understanding their percent share of space, or load factor, a school tenant is in a better position to negotiate rent, utilities and other occupancy costs.

	Useable Sq FT	Load factor calculation	
		Sq Ft	% of use
Gym, kitchen and cafeteria	7,500	5,625	75%
All other school spaces	12,500	12,500	100%
Total leased premises	20,000	18,125	91%
Facility total (church and school)	60,000		30%

It may be not possible to determine use and relative costs down to every hour of every day. The point here is that base rent and occupancy costs (collectively, gross rent) should reflect any shared uses. One approach may be to trade off responsibility for certain costs. For example, the school tenant might pay the electric bill on the leased premises, but the landlord provides for snow removal and landscaping.

Co-locating with another school:

- Choosing to co-locate with another school creates important considerations that go beyond whether the other school will compete with and draw students away from your school.
- School entrances and wayfinding. A discreet entrance with wayfinding signage near, in and from the parking lot is essential for parents and other visitors. It also promotes safety (more below on safety).
- Safety and security in a co-location is paramount. If students at the other school are older or in a different type of program, such as an alternative school serving students with histories of violent behavior, there needs to be clear separation of flow of students entering and existing the building and campus.
- Transportation capacity and flow. If your students will be arriving by bus, ensure there's clear and separate circulation for buses to avoid confusion before and after school. Additionally, make sure your school will have sufficient space for automobile parking and buses, to meet local governance requirements.

First right of refusal

First right of refusal is a lease condition that can help a school tenant mitigate risk of outgrowing its leased space. In addition to having the option to renew its lease term, a school tenant should negotiate to hold the "first right of refusal" to lease another tenant space which is currently vacant or, more often, leased to another

tenant.

A secondary benefit of first right of refusal is the ability to avoid getting a potentially problematic co-tenant when the space turns over. However, holding and exercising this right in order to prevent a certain type of tenant from leasing co-located space only makes sense if a school tenant is certain it will be ready to expand and take on the associated costs of renting more space when the adjacent lease expires. A first right of refusal is not a tool to prevent disliked tenants from securing adjacent spaces, but rather to allow the tenant that holds this right a first opportunity to rent the space to grow its business. Thus, a school should never co-locate in a space where an adjacent tenant could be problematic, and assume that holding the option for first right of refusal is a solution to avoid such a tenant.

As with all sections of this guide, schools are encouraged to work with qualified real estate professionals that will help you understand the obligations and trade-offs under co-located tenancy, especially when shared spaces are involved, and work to get you the strongest lease possible.

Considerations for first right of refusal

For example, a school has the opportunity to rent space in a retail strip center (presuming it can secure any necessary zoning approval). On the other sides of the available space are a dollar store and a shoe store. In the lease terms, the landlord offers the school tenant First Right of Refusal on both adjacent spaces. The school should not assume holding this “right” is a solution to preventing either tenant from turning over to a new tenant to which the school would prefer not to be located next door, such as a tattoo parlor or smoke shop.

Section 7: Lease aid basics

Per state statute 124E.22, lease aid is an essential source of funds to assist most Minnesota charter schools with facility lease payments. A MDE memo containing lease aid requirements and the application is included in the appendix. Charter schools seeking lease aid must apply to MDE and gain approval for lease aid funds on an annual basis. This section is helpful for charter school staff new to chartering, real estate brokers new to working with charter schools, and others who are new to charter schools and/or lease aid and want to understand the basics of this program.

This section focuses on:

- Eligible lease aid facility lease costs
- Other lease aid facility lease costs
- Formula for lease aid payments
- Lease aid application documents
- State and local government occupancy requirements

Eligible lease aid facility lease costs

MDE sets forth three costs eligible for lease aid payments:

1. Facility base rent
2. Real estate taxes (excluding special assessments) on leased premises
3. Landlord property insurance

Other lease aid facility lease costs

Other occupancy costs such as for utilities, custodial, tenant content insurance, and facility and grounds maintenance including CAM are ineligible for lease aid payments.

Tenant improvements

MDE is agnostic on the subject of TI and does not list these costs as either eligible or ineligible for lease aid. Thus, it is recommended that charter schools consult with an experienced real estate broker or attorney familiar with charter school facility leases in Minnesota. These professionals can offer recommendations during a facility lease negotiation on what MDE is inclined to approve when it comes to the cost for TI being treated as an eligible cost under lease aid.

Formula for lease aid payments

Lease aid payments are based on a per pupil basis, not on the basis of SF of the leased premises. The lease aid program is designed that all charter schools receiving lease aid must pay at least 10% of eligible facility costs from funding sources other than lease aid. Approved lease aid payments in a given year are calculated and based on the lesser of:

1. 90% of approved facility lease costs, or
2. Pupil units, times \$1,314

Pupil units are the product of average daily membership, or “ADM,” multiplied by pupil unit weight. Weights per grade level:

- Per student in kindergarten through and including 6th grade
- 1.2 per student in 7th grade through, and including, 12th grade

MDE approach to occupancy costs

Where occupancy costs are concerned, MDE may reduce lease aid payments if it concludes that utilities paid by the school tenant under the lease are not appropriate to the size and square footage of the lease premises. As of this writing, MDE has been known to want to see a tenant paying at least \$1/SF for utilities.

MDE approach to TI

While MDE has been known to approve leases incorporating the cost of TI into base rent, MDE approval on a lease aid application is never guaranteed. MDE is agnostic on TI costs, and does not list these costs as either eligible or ineligible for lease aid. There are many examples of a landlord developing a facility on behalf of a charter school tenant and including costs for this work in the Base Rent. If a school tenant requires TI costs be built into base rent, it is essential the work with a broker and attorney familiar with lease aid relative to similar charter school leases.

Lease aid application documents

For a charter school to receive lease aid payments, MDE must approve the school's application and supporting documents. The application is usually due in the spring prior to the school year being funded. The package includes:

- MDE application, including:
 - Operating budget for upcoming school year
 - Signed board certificates
- Cover letter
- Fully executed lease for upcoming school year
- Emergency evacuation plan
- Floor plan
- Photos of facility interior and exterior
- State fire marshal approved inspection
- Certificate of occupancy, or "C of O"

Example on lease aid formula

A charter school in a given school year has an ADM of 175 in K-6th grade, and an ADM of 150 in 7th-9th grade. It can be eligible for total lease aid payments in that year of no more than \$466,470. This amount is derived from 355 pupil units ($175 \times 1.0 + 150 \times 1.2$), multiplied by \$1,314. A lease aid application must be submitted and approved annually; thus, lease aid payments will generally fluctuate annually in line with total pupil units.

State and local government occupancy requirements

When negotiating a facility lease, it is important to understand what state and local governments will require to operate a K-12 school program in the leased premises. The final two items above – fire marshal approval and C of O – require careful research and planning prior to and during lease negotiation to ensure sufficient time and budget is allotted to secure each.

A certificate of occupancy is a document issued by a local government agency or building department certifying a building's compliance with applicable building codes and other laws, and indicating it to be in a condition suitable for occupancy. See MDE lease aid memo in the appendix for type of occupancy classification required. Together, the state fire marshal and local unit of government issuing a C of O could require facility improvements as small as illuminating existing exit signs to as large and costly as installing a sprinkler system for life safety, or elevator for vertical accessibility.

If a K-12 school wasn't the previous occupant of the facility to be leased, a school should strongly consider working with qualified real estate professionals such as an owner's or tenant representative in addition to its real estate broker to understand what TI is required, at what cost and how much time is needed to complete them. This is to ensure the leased premises receives fire marshal approval and a C of O on schedule for the school to occupy the space for the start of a new school year, and to firmly understand costs. Even if a proposed landlord is willing to do this work and pay for part for all or part of TI, it is in a charter school's best interest to have someone representing the school at the very least review and provide comment on the landlord's proposed plan for improvements, cost and timing.

Section 8: Glossary of terms

This glossary is not meant to make school staff, board members or others experts on the language of facility lease negotiation or any part of the process. The terms included herein are commonly associated with facility leases for commercial spaces or school buildings, and will get you familiar with the language used by your real estate broker or attorney. A more extensive glossary of possible terms you might encounter is included as an appendix (source: LoopNet) for your reference.

Base rent – The initial rent and, depending on the lease provisions, it may change over the term of the lease (typically increase). Base rent is almost always expressed as an annual cost per square foot, and sometimes expressed secondarily – where charter schools are concerned – as an annual cost per pupil unit (see ‘Basics of lease aid’ for more information). For example, base rent of \$10/SF on a 60,000-SF leased premises equates to \$600,000 base rent annually and \$50,000 base rent monthly if the lease requires 12 equal monthly payments.

Fixed-term lease – A type of rental agreement in which the renter agrees to stay and pay rent for the period of time indicated in the written contract. Renters who break their lease typically lose their deposit and, if applicable, their pre-paid rent for the final month of the lease. Charter schools, in order to receive lease aid payments toward facility costs, are required to use a fixed-term Lease but include in it a state-mandated provision stating that the lease can be terminated if the school is closed by the state or its authorizer.

Gross rent – The total amount of rent paid by the tenant. This includes any payments in addition to Base Rent such as for real estate taxes, property insurance, common area maintenance, or “CAM,” and utilities, among others.

Gross lease – A type of lease agreement where the landlord pays for the building's property taxes, insurance and maintenance, and in some cases even utilities. It can be modified (see ‘Modified gross lease’) to meet the needs of a particular building's tenants.

Landlord obligations – The legal responsibilities of a landlord to their tenant. For example, the lease might stipulate the landlord is obligated to repair or replace a broken boiler (but not obligated to maintain the boiler).

Letter of intent, “LOI” – A non-binding agreement stating two or more parties' desire to enter into a real estate transaction, such as a lease (or purchase). An LOI provides an outline of the terms proposed for the transaction so the parties can negotiate before committing to a contract.

Load factor – A method of calculating total monthly rent costs combining usable SF with a percentage of the SF of common areas used by all tenants. Common areas typically include restrooms, lobby, elevators, stairwells and hallways. If you share a building with one or more tenants, and each of your usable SF – the area you're actually renting as your store or office – is substantially equal, your percentage contribution toward the common areas might be 50% or so. In some cases, such as a school sharing space with a church, the church/landlord and school/tenant might opt to calculate use of common areas (e.g., gymnasium, kitchen) based on time (e.g., school uses 80% of the week) rather than by load factor.

Modified gross lease – A type of lease agreement where the tenant pays base rent plus a proportional share of some of the other costs associated with the property. For example, a modified gross lease may require the tenant pay those utilities which are sub-metered to provide service to the leased premises separately from other tenant or landlord spaces within a facility.

Purchase option – The option of a tenant to purchase the property after fulfilling an agreed upon lease term. It should include specifics on timing and acquisition cost of exercising the option by the tenant.

Renewal – Extension of an existing lease, and typically expressed as number of renewals and years for each term. For example, a school tenant might have the option to exercise up to three extensions of five years each.

Rentable square feet, “RSF” – Corridors, meeting spaces, lobbies, stairways, restrooms and so on are used by all building tenants, and landlords charge for the use of this space as well. RSF is your usable square footage plus a pro-rata share of the building shared space.

Tenant improvements, “TI”/leasehold improvements – Facility improvements necessary for the tenant to occupy the space. This includes improvements to make the building habitable such as repairing a boiler, improvements required for a K-12 school tenant to operate within building code such as installation of a sprinkler system, and improvements desired by the tenant such as new paint and carpeting.

Tenant improvement allowance – The amount of money the landlord agrees to pay toward the total cost of TI. Typically expressed as an amount per square foot. For example, a landlord-provided TI allowance of \$5/SF on a 60,000-SF leased premises equates to \$300,000 toward the total cost of TI. The tenant would be expected to pay for remaining TI costs through other sources.

Tenant obligations – The legal responsibilities of a tenant in a lease agreement. For example, the lease might stipulate the tenant is obligated at its cost to perform annual maintenance on the boiler (but not obligated to repair or replace a broken boiler).

Rental or lease term – The term of the tenancy, typically expressed in years.

Term sheet – A document delineating the proposed major terms of a lease agreement. It, in conjunction with a LOI, is often the first phase of negotiation for a lease. It saves time for a landlord and potential tenant to agree first on the major terms of tenancy; once agreed, then negotiate all the remaining details of a lease itself.

Triple net lease, “triple-net” or “NNN” – A lease agreement on a property where the tenant or lessee agrees to pay all real estate taxes, building insurance and maintenance (the three “nets”) on the property in addition to any normal fees that are expected under the agreement (rent, utilities, etc.).

Usable square feet – The actual space occupied from wall to wall. It does not include common areas of a building, such as lobbies, restrooms, stairwells, storage rooms and shared hallways. For tenants leasing an entire floor or several floors, the usable square footage would include the hallways and restrooms exclusively serving its floor(s).

Part III: Directory of facility experts

Introduction

External consultants and partners are natural – and necessary – extensions to your school’s facilities team. From architects and developers to construction companies and lenders, there are many options that can help your school realize its next facility, whether for expansion, replication or a permanent home. The following list is intended to be a starting point for schools; it features organizations and individuals that many schools in our community have had positive experiences with, and are actively engaging with and supporting local schools.

If you or someone you know would like to be considered as an addition to this list, please contact Nicholas Banovetz at MN Comeback: nbanovetz@mncomeback.org.

Section 1: Real estate representatives

ASSEMBLY

Assembly

Assembly is a group of commercial real estate consultants and agents based in the Twin Cities metropolitan area and is managed by its principals Eddie Landenberger and Merrie Sjogren.

Assembly provides the following real estate services:

- *Consulting* - Market analysis and feasibility, project management, financing, acquisition and due diligence.
- *Brokerage* - Landlord, owner, and tenant representation. Lease consulting and market comparison.

Past Twin Cities area charter school clients

Prodeo Academy

Eddie Landenberger
Principal

612.978.3257

eddie@assemblymn.com

P.O. Box 27546
Minneapolis, MN 55427
www.assemblymn.com



Avison Young

Avison Young is a private firm founded in 1978 that has expanded to become a global provider. It offers a range of real estate solutions, including brokerage and advisory services.

Kate Gillette specializes in commercial real estate transaction management, financial analysis and market research. Her areas of focus include assisting clients with business efficiencies, negotiations and strategic real estate planning. She established Avison Young's non-profit practice group in 2016.

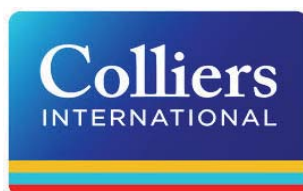
Past Twin Cities area charter school clients

Minnesota Early Learning Academy

Kate L. Gillette
Vice President, LEED AP
612.913.5650

kate.gillette@avisonyoung.com

333 S. Seventh St
Suite 1370
Minneapolis, MN 55402
www.avisonyoung.com



Colliers International

Colliers International is a global real estate firm. They have an Education Services Group that provides brokerage and advisory services to the education industry.

Eric Rapp has been working in real estate for over 20 years and specializes in the leasing and sales of office and industrial real estate. Eric has worked with dozens of non-profit and charter school clients.

Past Twin Cities area charter school clients

Twin Cities Academy
Twin Cities German Immersion Charter School

Eric Rapp
Senior Vice President
952.837.3060

Eric.Rapp@colliers.com

900 2nd Ave S.
Suite 1575
Minneapolis, MN 55402
www.colliers.com

Lisa Kugler Consulting

<p>Lisa Kugler Consulting</p> <p>Lisa Kugler is a real estate consultant who has led the development of over 100,000 SF of commercial space and 1,000 housing units. Her projects were accomplished using a range of local, county, state, federal and private funding and financing tools, along with public bonds and bank-qualified bonds.</p> <p>Lisa's charter school work includes site acquisition, feasibility analysis, selection and coordination of the development team, zoning and entitlements, environmental assessment; financial analysis and coordination of financing; negotiation of lease, loan and shared-use documents; and construction management.</p> <p>Lisa is also an associate of the national Cornerstone Ventures firm based in Philadelphia.</p> <p>Past Twin Cities area charter school clients</p> <p>Achieve Language Academy Twin Cities German Immersion School</p>	<p>Lisa Kugler Real Estate Consultant 612.718.5954 LisaKugler3@gmail.com</p> <p>4737 Garfield Ave. Minneapolis, MN 55419</p>
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<p>Cushman & Wakefield</p> <p>Cushman & Wakefield is the Twin Cities' market-leading commercial real estate firm and offers a range of commercial real estate services. Cushman & Wakefield's Minneapolis-St. Paul office has an Advisory Services Group focused on providing real estate services for businesses, nonprofits and education groups. This group has an owner representation team for charter schools (consisting of strategic planners, real estate brokers, financial consultants, and project managers) that can assist schools with site selection, agreement negotiation, financing, construction management, furnishing a facility, and managing the property, if desired.</p> <p>Past Twin Cities area charter school clients</p> <p>Beacon Academy Hennepin Elementary School</p>	<p>Paul Donovan and Jaclyn May 612.305.2113 Paul.Donovan@cushwakenm.com Jaclyn.May@cushwakenm.com</p> <p>Cushman & Wakefield 1400 IDS Center 80 South 8th St Minneapolis, MN 55402 www.advisoryservicesmn.com/education</p>
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JB Vang

JB Vang provides real estate brokerage and advisory services specializing in schools, tribal enterprises, community organization and commercial properties. The group also has acted as the owner/developer of charter school properties.

J. Kou Vang is the president of JB Vang, and joined them in 2002. He has experience in financing and investments, and specializes in advisory and construction services.

Past Twin Cities area charter school clients

Noble Academy, Brooklyn Park Campus
Yinghua Academy

Kou Vang
612.645.5500
kouvang@gmail.com

JB Vang
1335 Pierce Butler Route
St. Paul, MN 55104
www.jbvang.com



KW Commercial Midwest

KW Commercial Midwest is an office of KW Commercial, the commercial real estate division of Keller Williams Realty. The team has commercial real estate professionals with backgrounds in all areas of commercial real estate.

Kevin Peck has represented tenants since 2006 and has been with KW Commercial Midwest since 2011. He has experience with tenant representation, as well as non-traditional lease and sale experience for nonprofits, schools, and faith-based organizations.

Past clients of Kevin Peck include over 15 metro area charter schools.

Past Twin Cities area charter school clients

KIPP North Star Academy
Northeast College Prep

Kevin Peck
Director
651.262.1030
kpeck@kwcmidwest.com

KW Commercial Midwest
3464 Washington Dr
Suite 100
Eagan, MN 55122
www.kwcmidwest.com

TEGRA

— G R O U P —

Tegra Group

The Tegra Group is a Twin Cities focused provider of real estate brokerage and advisory services, such as brokerage/site selection, tenant representation, due diligence, project management, and owner's representation.

Paul Koerber has 25 years of commercial real estate finance, negotiation and project management experience – including overseeing planning, due diligence, negotiation and implementation – across a range of project types.

Past Twin Cities-area charter school clients

Partnership Academy
Breck School

Paul Koerber
Director
612.752.5753
pkoberber@tegragroup.com

801 Nicollet Mall
Suite 1850
Minneapolis, MN 55402
www.tegragroup.com

TenSquare[®]

PERFORMANCE MATTERS

Ten Square

TenSquare is a national charter school support organization that works schools and staff to support school performance, talent, authorization, and facilities.

Around facilities, TenSquare offers real estate development services to its school clients including developing a project strategy, conducting a feasibility analysis of possible facility options, securing the site, assessing and arranging financing, overseeing the project design, and managing the project from construction through occupancy.

Karl Jentoft is an experienced charter school real estate developer with prior background and experience in banking and education.

Past Twin Cities-area charter school clients

Hiawatha Academies
Northeast College Prep

Karl Jentoft
Principal
202.448.5030
karl@thetensquaregroup.com

TenSquare
1101 17th Street NW
Suite 200
Washington, D.C. 20036
www.thetensquaregroup.com

Section 2: Real estate developers



Charter Schools Development Corporation

CSDC is a national 501(c)(3) non-profit corporation and Community Development Financial Institution (CDFI) that finances and develops facilities for public charter schools.

CSDC has a special focus on new schools, schools serving predominately low income students, and schools in communities with poor performing traditional schools. It has products for direct loans and credit enhancements*, and can represent charters as a developer of facilities on a fee for development services or lease-to-purchase basis.

Past Twin Cities-area charter school clients

Hiawatha Academies

**Also consider CSDC as a non-profit financing partner.*

Laura Fienmann
Senior Vice President
443.561.1280
info@csdc.org

6731 Columbia Gateway Dr
Suite 220
Columbia, MD 21046
www.csdc.org

Jeffrey Laux - Real Estate Development

Jeffrey Laux

Jeffrey Laux has four decades in real estate, including brokerage, development, leasing, ownership and finance projects. His work has been in multiple sectors of the market – office, residential, industrial, multifamily, commercial, hotel, non-profit and retail – and his projects have involved new builds, adaptive reuse, renovations, high-rise and historic restorations.

Recently, Mr. Laux has chosen to direct more of his time toward non-profit leadership and the development of charter school facilities.

Jeffrey was on the founding board of People Serving People, is the Trustee at the Church of St. Anne-St. Joseph Hien, serves on the National Board of Exalt Education, and is a member of the Board of Trustees for De La Salle High School in Minneapolis.

Past Twin Cities-area charter school clients

Prodeo Academy
KIPP Minnesota

Jeffrey Laux
612.804.0470
jeffreylaux@gmail.com

Jeffrey Wm. Laux
c/o Foley and Mansfield
250 Marquette Ave
Suite 1200
Minneapolis, MN 55401



<p>Wellington Management, Inc. Wellington Management was established in 1984 and currently owns and manages a \$400 million portfolio of over 100 properties across the Twin Cities metro area.</p> <p>Wellington Management provides a variety of real estate services, including brokerage services, construction management, and project consulting. For charter schools, they have also played the role of developer and landlord. Prior to starting a real estate company, Steve Wellington worked for the City of St. Paul, first as an aide to Mayor George Latimer and then as deputy director for the city's Department of Planning and Economic Development.</p> <p>Past Twin Cities-area charter school clients College Prep Elementary Lionsgate Academy</p>	<p>Steve Wellington 651.292.9844 swellington@wellingtonmgt.com</p> <p>Wellington Management, Inc. 1625 Energy Park Dr Suite 100 St. Paul, MN 55108 www.wellingtonmgt.com</p>
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Section 3: Real estate attorneys



<p>John Cairns Law, P.A. John worked to establish the nation's first charter schools in Minnesota, and secured 501(c)(3) status for these schools. Thanks to his pioneering work in this area, hundreds of charter schools across the country are now benefiting from their tax-exempt status, which is a critical component of providing effective public education.</p> <p>Regarding facilities, John has experience providing counsel on a range of real estate transactions, and has extensive experience in assisting charter schools in securing tax-exempt financing for permanent facilities. John's advocacy has helped secure approximately three-quarters of a billion dollars in charter school facility financing.</p> <p>Past Twin Cities-area charter school clients Friendship Academy of the Arts Minnesota Math and Science Academy</p>	<p>John Cairns 612.986.8532 jcairns@johncairnslaw.com</p> <p>2751 Hennepin Ave Box 280 Minneapolis, MN 55408 www.johncairnslaw.com</p>
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LINDQUIST

Lindquist & Vennum LLP

The Minneapolis-based law firm provides an array of corporate finance, transactional and litigation services.

Craig Kepler has more than 25 years' experience handling a wide range of transactions, including real estate purchases and sales, leases, financing transactions, and land use. He also has an active practice representing charter schools.

In addition to transactional matters, Craig also handles litigation matters that require real estate expertise, such as condemnation, property tax appeals, and easement or encroachment disputes.

Past Twin Cities-area charter school clients

Eagle Ridge Academy
Hiawatha Academies

Craig Kepler
612.371.3544
ckepler@lindquist.com

2000 IDS Center
80 S. 8th St
Minneapolis, MN 55402
www.lindquist.com



Meier, Kennedy & Quinn, Chartered

Meier, Kennedy & Quinn is a group of five attorneys who focused on serving the Twin Cities area.

Chuck Bichler currently represents the Archdiocese of St. Paul and Minneapolis for leases related to their school properties. His real estate practice areas include purchase and sale agreements, leases, commercial construction, zoning, and title examinations.

Chuck Bichler
651.228.1911
cbichler@mkqlaw.com

445 Minnesota St
Suite 2200
St. Paul, MN 55101
www.mkqlaw.com

Larkin Hoffman

ATTORNEYS

Larkin Hoffman Attorneys

Larkin Hoffman is a Minnesota based legal firm that was founded in 1958. Their attorneys have a range of expertise, including education, real estate, and land use.

Bill Griffith, President, has spent the past three decades advising local and national clients on legal and policy issues affecting land use, zoning, real estate, environmental review, municipal law, regulatory matters and government relations.

Bill is the chair of the Hennepin Elementary School Board, a public charter school in Minneapolis

Past Twin Cities-area charter school clients

Minneapolis Academy
Hennepin Elementary School

William C. Griffith

952.896.3290

wgriffith@larkinhoffman.com

8300 Norman Center Dr
Suite 1000

Minneapolis, MN 55437-1060

www.larkinhoffman.com

Section 4: Architects



Mathias Mortensen, HMM

HMM Architects is a full-service mission-driven architecture firm. In 2018, the company will be the first architecture firm in Minnesota to become a Public Benefit Corporation, aiming to provide the public with specific social and environmental benefits.

Mr. Mortensen has 15 years of experience in the design and construction industries working first as a laborer, carpenter, and CAD designer; then as a project architect for large firms across the country; next as a construction coordinator for a national contractor based in Minneapolis; finally starting his own firm, HMM in 2015.

Past Twin Cities-area charter school clients

KIPP Minnesota
Big Picture Twin Cities

Mathias Mortenson, AIA,
LEED AP
Principal

612.655.3745

mathias@hmmarch.com

2429 Sheridan Ave S.
Minneapolis, MN 55405

www.hmmarch.com

KODET



Architectural Group, Ltd.

Kodet Architectural Group, Ltd.

Founded in 1983, the Minneapolis-based architecture firm specializing in educational, religious, public facilities, historic restoration, recreational and retail design.

Kodet's professional services include: feasibility and accessibility studies, pre-design and programming, cost estimating, general architectural, structural engineering, construction administration, and owner representation.

Past Twin Cities-area charter school clients

Hmong College Prep Academy
Yinghua Academy

Mike Schellin, AIA
Vice President
612.377.2737

MikeSchellin@kodet.com

Kodet Architectural Group,
Ltd
15 Groveland Terrace
Minneapolis, MN 55403
www.kodet.com

KRECH, O'BRIEN, MUELLER



& ASSOCIATES, INC.

Krech, O'Brien, Mueller & Associates

Founded in 1985, Krech, O'Brien, Mueller and Associates has experience working with a diverse group of local companies and organizations from a broad cross section of industries. The company provides general architecture, structural engineering and interior design services.

Past Twin Cities-area charter school clients

Banaadir Academy
Friendship Academy of the Arts

Brady R. Mueller, AIA
Founding Partner
651.789.4122

bmueller@komainc.com

6115 Cahill Ave
Inver Grove Heights, MN
55076
www.komainc.com

Paul Gates Architect

Paul Gates Architect

Paul Gates Architect was founded in 2000 and has completed a broad range of architectural project types for public, private and not-for-profit clients. The firm has an emphasis on urban infill, renovation and adaptive-reuse projects, and has worked with a number of area charter schools.

The group provides a full range of architectural services, from pre-design planning and feasibility analysis through full design, construction documentation and construction contract administration.

Past Twin Cities-area charter school clients

Stonebridge World School
New City Charter School

Paul Gates, AIA, LEED AP
BD+C

612.822.8878

paul@paulgatesarchitect.com

2 East Franklin Ave
Suite 2

Minneapolis, MN 55404

www.paulgatesarchitect.com

POPE ARCHITECTS

Pope Architects

Pope Architects is a Minnesota-based architecture and interior design firm. They have a large team of professionals, and offer the full range of architectural design services, including facility assessment and feasibility studies, schematic design and development, construction drawings, construction administration, animations, models and renderings.

Past Twin Cities-area charter school clients

Mounds Park Academy
St. Croix Preparatory Academy

Paul Holmes AIA, LEED AP
Vice President

651.642.9200

pholmes@popearch.com

1295 Bandana Blvd. N.
Suite 200

St. Paul, MN 55108

www.popearch.com

Rivera Architects, Inc.

Rivera Architects, Inc.

Rivera Architects is a small local architecture firm offering a range of professional planning and design services, including facility planning and feasibility studies, building and life/safety code analysis, general architecture and engineering, and fundraising materials and strategy.

Deborah Rathman is Rivera Architects Inc.'s K-12 education specialist and brings over 20 years of experience working on educational facility projects.

Past Twin Cities-area charter school clients

Noble Academy
Community of Peace

Deborah Rathman, AIA,
LEED AP
651.222.3245
riverarchitects@qwestoffice.net

775 Fairmount Ave
St. Paul, MN 55105
www.riverarchitects.qwestoffice.net



U+B Architecture & Design

Founded in 2003, U+B has worked with clients on a wide-range of services, including master planning, site selection, development concepts, programming, feasibility studies, schematic design, design development, interior design, construction documents, furniture selection and contractor negotiations.

Edie Sebesta has been with the company for nearly 15 years, and has deep experience working on a wide range of project types to including residential, hospitality, commercial and educational facilities.

Past Twin Cities area charter school clients

Hiawatha Academies
Excell Academy

Edie Sebesta, AIA
Senior Associate
612.870.2538
Edie.Sebesta@uplusb.com

U+B Architecture & Design,
Inc.
2609 Aldrich Ave S.
Suite 100
Minneapolis, MN 55408
www.uplusb.com

Section 5: General contractors



<p>Building Assets Construction Company Building Assets is a local general contractor specializing in commercial and education projects. The company was founded by a former teacher and has completed projects for a handful of area charter schools.</p> <p>Services include general contracting, construction management, and pre-construction planning services.</p> <p>Past Twin Cities-area charter school clients Hiawatha Academies Yinghua Academy</p>	<p>Bob Gustafson President 612.825.0069 gus@buildingassets.us</p> <p>4749 Chicago Ave S. Suite 5 Minneapolis, MN 55407 www.buildingassets.us</p>
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<p>Flannery Construction Flannery Construction has served the Twin Cities metropolitan area for a quarter of a century and offers a full range of general contracting, with expertise in all sectors of the construction industry. The company is family-owned and has a focus on hiring within the community.</p> <p>Services include preconstruction planning, value engineering, pricing and budgeting, and construction from demolition through completion.</p> <p>Past Twin Cities area charter school clients Hmong College Prep Academy Achieve Academy Charter School</p>	<p>Jamey Flannery, LEED AP President 651.225.1105 jflannery@flanneryconstruction.com</p> <p>1375 St. Anthony Ave St. Paul, MN 55104 www.flanneryconstruction.com</p>
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Kraus-Anderson Construction Company

Kraus-Anderson was founded in 1897 and is family owned and managed. The company is a national leader in K-12 school construction, and has managed over half a billion dollars in school construction over the past five years, including new facilities, expansions, remodels, deferred maintenance and emergency response.

John Campobasso,
Vice President
612.332.7281
john.campobasso@krausanderson.com

3433 Broadway St. NE
Minneapolis, MN 55413
www.krausanderson.com



RJM Construction

Golden Valley-based RJM Construction has been providing commercial contracting services since 1981, with more than 175 specialized staff members and an annual construction volume of approximately \$250 million.

RJM offers services from concept to completion, including general contracting, construction management, design/build and pre-construction. Types of projects include ground-up construction, interior remodeling and long-term project planning.

Past Twin Cities area charter school clients

Athlos Leadership Academy
Beacon Academy

Brad Barickman
Vice President
952.837.8614
brad.barickman@rjmconstruction.com

830 Boone Ave N.
Golden Valley, MN 55427
www.rjmconstruction.com



Rochon Corporation

Rochon Corporation, founded in 1985, is a large commercial construction company offering the full range of general contracting and design build construction services. The company's projects include educational, office, industrial, multi-family, religious and retail building markets.

Past Twin Cities-area charter school clients

New Millennium
Noble Academy

Nick Reynolds
Vice President
763.559.9393
nreynolds@rochoncorp.com

28 2nd Street NW, Suite 200
Osseo, MN 55369
www.rochoncorp.com



Zeman Construction

Zeman Construction Company is a family owned and operated general contractor serving the Twin Cities communities. They have a portfolio of several thousand successful commercial projects, including country clubs, restaurants, office buildings, churches, grocery stores, supermarkets, retail, education, and industrial structures. The company's clients range from large companies to smaller single location owner-users.

Past Twin Cities-area charter school clients

Prodeo Academy
Metro Schools

Mark Zeman
President
763.398.8900
markz@zemanconstruction.com

8900 10th Avenue N.
Golden Valley, MN 55427
www.zemanconstruction.com

Section 6: Financing partners

6.1: Banks



Old National Bank

Old National, formerly Anchor Bank, has served area families and businesses since 1967. They currently manage more than \$2 billion in assets, and have over 300 team members throughout 18 locations across Minnesota.

Old National provides nonprofit products and services including tax-exempt and taxable bond facility financing, operating and savings accounts, treasury management services, and lines of credit.

Kelly Elkin has been a lender to the nonprofit sector for 17 years and has helped finance charter school facilities for the past six years. Facility financing experience includes taxable, tax-exempt and tax credit structures, ranging in size from \$1,000,000 to \$30,000,000, and has involved purchase, renovation and new construction.

Past Twin Cities area charter school clients

Hiawatha Academies
Glacial Hills Elementary

Kelly Elkin
952.476.7875
kelly.elkin@oldnational.com

Old National Corporate Office
100 N. Main St
Evansville, IN 47711
www.oldnational.com/



Highland Bank

Established in 1943, Highland Bank is an independent, family owned community bank. Highland Bank developed from the 1995 merger of two Twin Cities community banks chartered in the 1940s: Security Bank Northwest and The Highland Bank.

Melissa has over 15 years of business banking experience with expertise in lending to small companies, local entrepreneurs, real estate developers, medical practices and non-profit organizations.

Past charter school clients

Northeast College Prep
New Heights School

Melissa Johnston
VP of Business Banking
952.858.4798
Melissa.Johnston@highlandbanks.com

2100 Ford Parkway
St. Paul, MN 55116
<https://highland.bank>



Minnesota Bank and Trust

Minnesota Bank & Trust, founded in 2008, serves social service agencies, charitable foundations, educational institutions, affordable housing providers, public policy groups, community development organizations, religious organizations, health care providers, municipalities and a variety of other non-profits. The bank is a subsidiary of the \$10 billion organization Heartland Financial, which provides it with \$40 million in lending capacity. The bank offers a broad array of financial services and technical assistance to its non-profit client partners, and has experience in structuring charter school facility financing, including tax-exempt bond financing, as well as issuing lines of credit.

Past Twin Cities area charter school clients

Odyssey Academy
Hiawatha Academies

Sonja Simonsen
Nonprofit Banking
952.841.9357
SSimonsen@mnbankandtrust.com

7701 France Avenue S.
Suite 110
Edina, MN 55435
www.mnbankandtrust.com



Sunrise Banks

Sunrise Banks is a family owned national chartered bank headquartered in St. Paul, and has a history of serving inner city communities in Minneapolis and St. Paul.

Sunrise Bank's lending services include commercial lending and leasing, along with government financing focused on New Markets Tax Credits and SBA lending.

Richard Esquivel
VP, Commercial Lending
612.874.4316
richard.esquivel@sunrisebanks.com

200 University Ave W.
St. Paul, MN 55103
www.sunrisebanks.com



<p>Western Bank Founded in 1915, Western Bank, a division of American National Bank, is a community bank specializing in meeting the needs of businesses and offering a full range of deposit and loan services to business, nonprofit, and personal banking customers. The bank has five geographically dispersed locations serving customers throughout the Twin Cities metropolitan area. Andrew Swammi has been with Western Bank for over 20 years and is experienced in financing facility projects for charter school clients.</p> <p>Past Twin Cities Area Charter School Clients Achieve Language Academy</p>	<p>Andrew Swammi Senior VP 952.857.4063 aswammi@western-bank.com</p> <p>4400 W. 78th St. Suite 100 Bloomington, MN 55435 www.western-bank.com</p>
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6.2: Bonding



<p>BB&T BB&T Corporation is one of the largest US financial holding companies with over \$220 billion in assets and a market cap of \$36 billion, and offering financial services from capital markets to retirement and institutional services.</p> <p>Rich Harmon is based in Columbus, Ohio and manages BB&T's national education finance team. He has more than 32 years of experience working with nonprofit charter and private schools, higher education, senior living and hospital organizations. Before joining BB&T Capital Markets, Mr. Harmon spent 10 years at Ziegler spearheading its charter school initiative.</p> <p>Past Twin Cities area charter school clients Parnassus Preparatory School Seven Hills Preparatory Academy</p>	<p>Richard Harmon Managing Director Group Head, Education Team 614.506.1976 RHarmon@BBandTCM.com</p> <p>150 East Broad Street Suite 406 Columbus, OH 43215 www.bbtcapitalmarkets.com</p>
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DOUGHERTY & COMPANY LLC

Dougherty and Company LLC

Dougherty & Company LLC is a diversified investment banking firm with 40 years of experience serving the needs of non-profits, state and local governments, and other tax exempt entities. The company was one of the pioneers in the charter school segment of the educational financing system, and has secured over \$850 million in capital for charter school facilities nationwide.

Richard (Dick) Ward is an investment banker who was involved with the origination of tax-exempt securities to the institutional and individual investor market. He has played a role in charter bond financing transactions both in Minnesota and across the nation.

Richard Ward
Senior Vice President
612.376.4159
DWard@doughertymarkets.com

90 South Seventh Street
Suite 4300
Minneapolis, MN 55402
www.doughertymarkets.com

Piper Jaffray®

Piper Jaffray

Bruce Sorensen has been in the fixed income investment banking business since 1989, and joined Piper Jaffray in 2002, where he established the company's charter school finance business in 2007. Over the course of his career, Sorensen has developed expertise in many areas of public finance, and has served as the senior banker on construction loan placements and long-term charter school bond financings totaling in excess of \$400 million.

Bruce Sorensen
Managing Director, Public
Finance Investment Banking
612.303.1776
Bruce.E.Sorensen@pjc.com

800 Nicollet Mall
Suite 1000
Minneapolis, MN 55402
www.piperjaffray.com

Section 6.3: Non-profit financing



Propel Nonprofits

Propel Nonprofits was created from the merger of Nonprofits Assistance Fund and MAP for Nonprofits. The organization is a 501(c)(3) non-profit corporation and Community Development Financial Institution (CDFI), and provides a range of services that help to meet nonprofits' needs, including strategy, governance, and finance support. Propel makes loans to a wide range of nonprofits of different sizes and fields of service, and is largely focused on the Twin Cities and surrounding regions.

Note that Propel works in partnership with IFF, a lender, real estate consultant and developer that helps communities thrive by creating opportunities for low-income communities and people with disabilities. IFF is also CDFI certified, and is the largest in the Midwest. Since 1988, IFF has made more than \$700 million in loans and leveraged \$2.3 billion in community investments. Learn more at www.iff.org/.

Past Twin Cities area charter school clients

Hiawatha Academies
Performing Institute of Minnesota Arts High School

Phil Hatlie
Senior Loan Officer &
Financial Specialist
612.249.6673
phatlie@propelnonprofits.org

One Main Street SE, Suite
600
Minneapolis, MN 55414
www.propelnonprofits.org

Legal disclaimer

Nothing in this material should be construed as financial or legal advice, nor does this guide include every institution available to charter schools in the Twin Cities. Consult with your own professional advisors and Board of Directors before attempting to engage with any group, or in any project or transaction described in this material.

Referenced resources

1. Charter School Facilities: A Resource Guide on Development and Financing, Development Corporation and Charter Friends National Network, 2010. www.archachieve.net/smallschools/Resources/tookits/NCBCharterSchoolGuide.pdf
2. SchoolBuild: From Idea to Construction, LISC, 2017. www.lisc.org/charter-schools

Part IV: Appendices

Appendix A: ‘Lincoln School IFF facility assessment’

Appendix B: ‘Minneapolis entitlement schedule’

Appendix C: MDE ‘FY2019 Lease Aid Requirements’

Appendix D: ‘Loopnet glossary’

Illinois

333 South Wabash Ave.
Suite 2800
Chicago, IL 60604
312 629 0060

Indiana

The Platform
202 East Market St.
Indianapolis, IN 46204
317 454 8530

Michigan

3011 West Grand Blvd.
Suite 1715
Detroit, MI 48202
313 309 7825

Minnesota

527 Marquette Ave.
Suite 1150
Minneapolis, MN 55402
612 814 0310

Missouri

911 Washington Ave.
Suite 203
St. Louis, MO 63101
314 588 8840

Ohio

500 South Front St.
Suite 125
Columbus, OH 43215
614 484 1811

Wisconsin

215 North Water St.
Suite 225
Milwaukee, WI 53202
414 563 1100

Memo To: Jennifer Stern, Great Minnesota Schools

From: Andrew McLean and Robin Toewe, IFF

Subject: Facility and Site Assessment: 2131 12th Ave N and 1200 Penn Ave N

Date: May 17, 2017

IFF visited and assessed on April 28, 2017, the facility and site located at 2131 12th Ave N, Minneapolis, MN 55411 and its unattached parking lot. These parcels are owned by Minneapolis Public Schools (MPS) and were formerly operated by MPS as Lincoln Junior High School. MPS' current tenant in this facility—Best Academy (Best)—is vacating the facility and terminating its lease at the conclusion of the 2017 school year. Thus, the site assessment and this report were undertaken to explore the suitability of the facility and site for another charter school operator, specifically with Noble Academy (Noble) in mind.

Noble is planning to replicate and open a second PK-8 campus, enrolling 450-500 students. Charter schools typically require approximately 100 sq. ft. per student, so Noble will require approximately 50,000 sq. ft. for its new school. Upon hearing of this site as a possible opportunity, Noble's leadership indicated it would consider co-locating multiple schools within the campus over time to make use of the large facility.

This Facility Assessment represents the best of IFF's knowledge regarding observed conditions at the site. Opinions expressed regarding the facilities' conformance to any and all building Codes, accessibility rules and regulations, or other standards (Code) are preliminary only. IFF recommends that MPS and/or its future tenant or purchaser engage the services of appropriately licensed professionals for final determination of Code-related issues.

The former campus of Lincoln Junior High School comprises three parcels per Hennepin County property records; the first two are included in IFF's assessment herein.

1. 1200 Penn Ave N
 - Parking lot (14,833 sq. ft.) north of school facility on NE corner Penn and 12th Aves
 - Currently rented with 2131 12th Ave N by Best Academy
2. 2131 12th Ave N
 - School facility, parking lot and outdoor play space comprising full city block (3.55 acres) from 12th to Oak Park Aves, and from Penn to Oliver Aves.
 - Currently rented with 1200 Penn Ave N by Best Academy
3. 1123 Penn Ave N
 - Soccer field (3.02 acres) between Penn, Queen, and Oak Park Aves.
 - Rented daily/hourly, per MPS website.

Site: 2131 N. 12th Ave.

General Building Use

In addition to IFF's assessment of facility condition, IFF is providing an opinion on a potential scenario for co-location of multiple charter schools (e.g., multiple Noble campuses). Attachment A provides an aerial view of one preliminary option for co-location.

General Building Condition and Characteristics

MPS built the facility located at 2131 12th Ave N in 1922-1923. MPS discontinued operations of the facility as Lincoln Junior High School in 2007. Per the building engineer on staff at Best, some of the major building systems—including HVAC and windows—were replaced prior to Lincoln's closure. The building engineer further stated that MPS currently provides maintenance and monitoring for all facility systems. As a result, the engineer did not have keyed access to certain building systems (e.g., roof, electrical gear, hot water heater).

The two parcels assessed are zoned R2B Two Family District. In R2B zones, K-12 schools are a conditional use. Given that the facility is a former public district school facility and currently in use as a K-8 public charter school, IFF assumes the current tenant holds a conditional use permit (CUP) and that the CUP would transfer to another tenant or owner if there is no change in use. The original building is constructed of load bearing brick and cast concrete columns and beams. Per City of Minneapolis records, the facility comprises 155,831 square feet. Overall, IFF assesses the building to be in good condition.

EXISTING BUILDING CLASSIFICATIONS				
Building Address	Existing Zoning	Current Use	Construction Type	Existing Parking
2131 12 th Ave N 1200 Penn Ave N	R2B	K-8 public charter school	Structural masonry	70 total standard spaces and 4 ADA between 2 lots

Improvements to Site, Building, and Spaces: Upon the date of the assessment, IFF took note of the following items. IFF included recommendations for installation, repair, replacement or removal.

Building Site

- **Parking Lot, Sidewalks and Other Surface Area**
 - There are two surface lots for off street parking. One lot is on the north side of the school (1200 Penn Ave N) across from the main entry. The other is adjacent to the rear and Penn sides of the school facility as part of the 2131 12th Ave N parcel.
 - The unattached lot has 40 spaces with two allocated by signage for Americans with Disabilities Act (ADA) purposes, which conforms to ADA standards. The adjacent parking lot has approximately 30 spaces at the rear of the property and two ADA spaces located on the Penn Ave (west) side of the property, which also conforms to ADA standards.
 - IFF recommends that repairs be done to both parking lots. There are cracks throughout the unattached lot with vegetation (weeds) present. The adjacent lot has areas that are deteriorated as well. The recommended course of action is to replace the top lift of asphalt and restripe the lots. A cost for this is shown in the estimate below.
 - At the Penn Ave (west) parking lot entrance, IFF recommends installing a trench drain just uphill from the south doors. The building engineer noted that flooding has occurred in the lower level on previous major rain events. A cost is shown for this in the estimate below. The building engineer noted that MPS is already researching a solution to this problem, which may be implemented separately from any lease or purchase negotiations.
 - A sidewalk surrounds the school facility, adjacent parking lot and outdoor play area, and a few sections are in need of replacement. Additionally,

along the Oliver Ave (east) side of the building there is need for weed removal and potential caulking of cold joints. A cost for this is included in the estimate below.

- The asphalt in the playground area is in need of replacement. Potentially some of the area could be converted to additional green space. A cost for full replacement is shown in the estimate below.

- **Landscaping**

- IFF noted that the landscaping is fairly minimal and is covered in the playground comment above.

- **Stormwater**

- As previously mentioned, water infiltration has been reported on the south side of the building when major rain events occur.

Building Envelope

- **Exterior Doors**

- IFF did not observe any major issues with the exterior doors.
- All of the exterior doors have ADA approved hardware.

- **Exterior Walls**

- The exterior brick looked to be in satisfactory condition. No major tuckpointing needs were noted upon inspection.

- **Roof**

- IFF was not able to access the roof during the site visit. From satellite images it appears the building is a built up bituminous roof with gravel aggregate. The average lifespan for a roofing system of this nature is approximately 30 to 40 years if properly maintained. As IFF was not able to see the existing condition a cost for replacement is shown outside of the estimate for general knowledge. The roof square footage is estimated at 63,000.

- **Windows**

- As stated earlier in the assessment IFF was told by the building engineer that the windows were replaced prior to the closure of Lincoln. They

appear to be in good working order. Inspections and potential maintenance should be done on an annual basis.

Building Structure

- **Foundation and Structural System:**
 - No foundation or structural issues were noted during the site visit.

Building Interior

- **Environmental:**
 - Due to the age of the building both lead paint and asbestos containing materials are more than likely present. For the safety of child occupants, IFF recommends reviewing any available environmental site assessments or other documents pertaining to environmental hazards potentially present, to understand what materials may need removal at some point.
- **Ceilings, Walls, floors and Partitions**
 - Some of the ceilings in the lower level classrooms as well as flooring are in need of repair if occupied. A cost is added to the estimate below.
- **Paint**
 - IFF noted that paint was in fair condition with only minor touch ups being needed. A cost for touch ups is added to the estimate below.
- **Millwork**
 - IFF did not see any major issues with the existing casework.
- **Interior Doors**
 - Per the site visit IFF did not see any non-conforming door hardware and the doors themselves seem to be in good condition.

Building Systems

- **Electrical Infrastructure and Lighting**
 - IFF was not able to access the utility room containing the main electrical gear (service).
 - The current lighting for a majority appears to be T-8 bulbs and ballasts. At this time IFF recommends only replacing fixtures with higher efficiency ballasts and bulbs as the existing fixtures expire.
- **IT/Data Infrastructure**
 - IFF did not have access to any of the Intermediate Distribution Frame (IDF) or Main Distribution Frame (MDF) rooms (known as IT closets) in the building. It was noted that the building does have CAT 5 or 5E cabling to connect to the IT network with 3 drops per classroom on average. The cost estimate includes an assumption for an additional 12 drops for 30 classrooms, as Noble has expressed a need for 15 hard networked technology stations per classroom.
 - Wifi hubs were noted throughout the building.
- **Heating/Cooling/Controls:**
 - The heating and cooling for the building is provided via a geo-thermal system that was installed approximately 10 to 12 years ago. The average lifespan when maintained for a geo-thermal system is approximately 30 years for equipment and 50 years for the piping.
- **Hot Water**
 - IFF did not have access to the water heater during the walk through.
- **Plumbing**
 - IFF was unable to inspect the plumbing system. However, due to the age of the building IFF assumes that galvanized piping is present. This type of piping has a shorter life span than copper piping and if leaks start to occur, full replacement should be considered. IFF recommends regular annual observations of the piping.

Code Issues:

- Other than need for installation of level handles as noted above, IFF did not observe any nonconforming ADA issues.

Estimated Costs for Improvements

The estimate below includes hard cost (labor and materials), general conditions/fees, and soft cost (e.g., design, fees), if required.

Description	Immediate (< than 1 year)	Intermediate (1 to 5 years)	Comment
Sidewalks and Parking	\$85,000	\$35,000	Replace top lift of asphalt and trench drain
Playground		\$50,000	Replace asphalt
Exterior Walls			No needed improvements observed
Roof			See note following this estimate
Windows	\$5,500		Maintenance
Partitions, floors, ceilings	\$15,000		Spot repairs
Paint	\$7,500		Touch ups throughout facility
Electrical Distribution			Unable to assess
Low Voltage	\$125,000		Assumes 30 classrooms, 12 drops each and added server capacity
Fire Alarm			No needed improvements observed
Fire Suppression			No needed improvements observed
HVAC			No needed improvements observed
Hot Water			Unable to assess
Plumbing			Unable to assess
Sub-Total Construction Hard Costs	\$238,000	\$85,000	
GC Fees and General Conditions (10%)	\$23,800	\$8,500	
Contingency (10%)	\$23,800	\$8,500	
Total Construction	\$285,600	\$102,000	Hard construction costs <i>only</i> .
Soft Costs	\$28,560	\$10,200	Professional fees and permits add estimated 12% to hard construction
Total Development Cost	\$314,160	\$112,200	
Total Cost/Sq. Ft.	\$2.01	\$0.72	

Note: Unable to inspect roof, but if is determined replacement is necessary, estimated cost approx. \$1,250,000 for replacement of the existing roof with the same type of system.

Photos:



Geo Thermal heating and cooling



Basement classrooms in need of light repairs



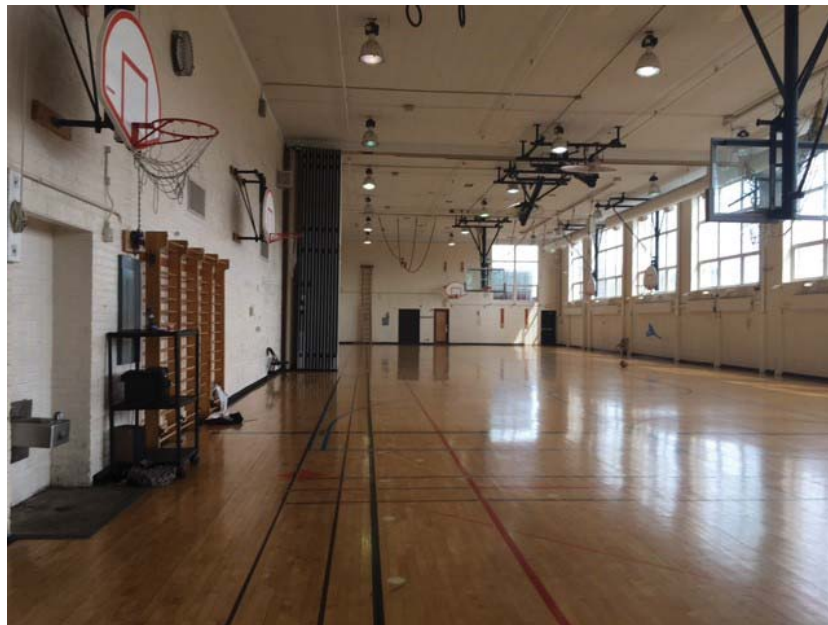
Exterior door where water has come in on a few occasions



Playground



Cafeteria



Gymnasium can be split in half



Updated restrooms

*** Additional photos can be provide upon request ***



Appendix B – ‘Minneapolis entitlement schedule’

For school leases with tenant improvements, architectural drawings and permits (e.g., building) may be required prior to commencing construction. Additionally, any zoning review and approval required is completed during this phase. These items, as required, need to go through a review process to gain local jurisdictional approval, a process referred to as “entitlement.” To demonstrate the components of the design and entitlements phase, following is a sample timeline from the city of Minneapolis.

Project Schedule

SAMPLE PROJECT SCHEDULE	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10
DESIGN PHASES	CONCEPT	SD	DD	CD						CON
Architectural										
Civil/ Landscape										
Mechanical/ Electrical										
Other consultants: Structural, energy, etc.										
ZONING ANALYSIS										
Site and Project Assessment										
Zoning Matrix										
CORRESPONDENCE										
Planning Staff Review										
Community: neighborhood(s), etc. *										
Ward Council Member**										
Planning Commission - Committee of the Whole										
CITY APPROVALS										
2 PDR (Preliminary Development Review) Submittal										
2* PDR Response/ Plan updates										
3 LUA (Land Use Application) Submittal										
4 City Planning Commission hearing										
5 Zoning and Planning hearing***										
6 City Council hearing***										
7 PDR Resubmission										
8 Building Permit Submittal										
CODE ANALYSIS										
Building Code Review										

1 Initial meeting w/ staff to discuss site, proposal, and land use and regulatory framework

3* LUA Submittal: Preferred schedule option for projects with minimal requests

Time required by the City for public notices for hearings, grace period for appeals, or for processing and approvals of submittals (varies upon type of request)

** Actual number of meetings and correspondence may vary

*** Hearings triggered by rezoning and vacation requests and/or if proposal is appealed



Memorandum

To: Charter School Directors

From: Tom Melcher, Director, Division of School Finance

Date: March 28, 2018

Subject: Fiscal Year (FY) 2019 Charter School Lease Aid Requirements

The purpose of this memorandum is to provide information to charter schools on how to apply for charter school lease aid for the fiscal year that includes the 2018-19 school year (FY 2019). We understand that the lease aid application process may be complex for many organizations. The Minnesota Department of Education (MDE) will provide assistance and work with you to successfully complete the process. If you have questions or concerns about the information required, please contact the [Lease Aid Review Team](#) (MDE.CharterSchoolapps@state.mn.us).

All charter schools must apply for lease aid on an annual basis. The lease aid entitlement is not included in the metered Integrated Department of Education Aids System (IDEAS) payment report until a charter school has applied and its application has been approved by MDE.

Charter schools are encouraged to apply as soon as possible to ensure that the approved lease aid entitlement amount is included in the calculation of the IDEAS metered payments as early in the fiscal year as possible, so that the timing of cash flow to the school is optimized.

Please submit your completed FY 2019 Lease Aid Application to: the [Lease Aid Review Team](#) (MDE.CharterSchoolapps@state.mn.us).

Fully completed applications will be reviewed and approved on a first-come, first-serve basis. All email correspondence must include the charter school name and number in the subject line.

Payment and Accounting for Charter School Lease Aid

Note: As in any year, calculation of state aid entitlements, payment percentages and/or timing of payments for charter school lease aid entitlements may change depending upon legislative action.

Throughout the school year, the calculated lease aid entitlement may be revised until finalized. Entitlements are estimated and are based on approved lease cost and estimated student enrollment data. [View your current estimate of state lease aid entitlement using an Excel spreadsheet available on the MDE website.](#)

From the MDE homepage, choose Data Center, then Data Reports and Analytics. Under School Finance Spreadsheets, select Charter Schools from the Category drop-down menu, select Building Lease Aid from the subcategory drop-down menu, then 2019 under the Year drop-down menu.

Enter your school number to view your initial estimated entitlement, and your revised estimated entitlement as the year progresses.

State aid payments are metered, meaning that under current law, on a semimonthly basis between July and June, the school receives a total payment of 90 percent of total state aid entitlements receivable for the current year. In the subsequent year, the remaining 10 percent is paid as following:

- **August 30 – 30 percent of the remaining 10 percent**
- **September 30 – 40 percent of the remaining 10 percent**
- **The final 30 percent of the remaining 10 percent will be paid when Uniform Financial Accounting and Reporting Standards (UFARS) and student data have been finalized sometime in late January or February.**

While each current year payment may not include an amount labeled as lease aid, each payment during the year includes an amount attributable to the lease aid entitlement. **This has been a source of confusion for many charter schools. See Attachment B for a more detailed explanation.**

Final state aid entitlements are calculated based on the lesser of: 1) 90 percent of the approved lease amount, or 2) 90 percent of audited expenditures, as reported by the charter school in UFARS for building lease costs (Fund 1, Program Code 850, Finance Code 348 and Object Code 370), or 3) final pupil units times \$1,314.

In addition to comparing the approved lease amount to audited UFARS reported lease expenditures, MDE will review utility costs reported in UFARS Fund 1, Program Code 810, Finance Code 000, Object Codes 330 and 440. If reported costs for utilities do not seem appropriate for the age and square footage of the building, the school will be asked to document costs. State aid will be reduced if the review discovers discrepancies and/or if reported utility costs cannot be substantiated, as utilities do not qualify as approved lease costs in accordance with statutes.

The Minnesota Department of Education will adjust lease aid for the amount of subleased space that is not used for instructional purposes.

Lastly, MDE will be reviewing each school's reported payables for lease aid expenditures and will be comparing those amounts to actual payment(s) made. If MDE finds that the outstanding payable(s) were not paid in a timely manner, aid will be reduced.

Submission of additional materials may be required, including but not limited to, any data required by any changes resulting from the 2018 legislative session.

Pupil Unit Data Used in Calculating School Lease Aid

Fiscal Year 2019 estimated pupil units are used in the calculation of the lease aid. For schools in their first three years, the student average daily membership data is supplied by the charter schools on the Enrollment Projections Report for Charter Schools (ED 02158) located on the [Forms page of the MDE website](#).

For schools in their fourth year and older, the student data is entered into the Average Daily Membership Web Estimates (ADMWE) system by the school. **It is vitally important that this pupil data be as accurate as possible to provide the most accurate calculation of charter school lease aid.**

If you have any questions concerning student reporting, please contact [Jeanne Krile](#) (jeanne.krile@state.mn.us), 651-582-8637 or [Kelly Wosika](#) (kelly.wosika@state.mn.us), 651-582-8855.

Special Instructions for the Revision of Initial Lease Applications

Charter schools are advised to notify MDE of any amendments to their approved lease aid application. Please submit:

- 1) Updated cover letter.
- 2) Updated Lease Aid Certification Form – Part 2.
- 3) Any amendments made to the lease.

If you are amending your lease aid application due to an increase of square footage/construction, the following additional items also need to be submitted:

- 4) Certificate of Occupancy for the increased space.
- 5) Fire Inspection completed that includes increased space.
- 6) Schematics and pictures of increased space.
- 7) Updated Emergency Plan.

Amendments to lease aid applications must be requested prior to November 30 of the fiscal year following the lease aid entitlement year (i.e., November 30, 2019) to allow for processing time to meet the statutory deadline. (Minn. Stat. § 127A.49, subd. 1).

FY 2019 Charter School Lease Aid Certification Form – Part 1

This form is to certify that your school meets certain criteria and complies with statutes for charter school lease aid. Please complete both pages of this form and return with your lease aid request letter.

Charter School Name:		Charter School Number:	
Address:	City:	State:	ZIP Code:
Contact Name:	Telephone Number:	Email Address:	

Checking the items below indicates your compliance with the following regulations and statutes:

- ☐ **Federal, State and Local Requirements:** The charter school building meets health and safety codes per [Minnesota Statutes, section 124E.03, subdivision 2\(a\)](#), which states in part, “A charter school shall meet all federal, state, and local health and safety requirements applicable to school districts.” (See Attachment D).

- ☐ **Building Lease Aid:** [Minnesota Statutes, section 124E.22](#), states, in part, “A charter school must not use the building lease aid it receives for custodial, maintenance service, utility, or other operating costs.”

- ☐ **Disabled Accessibility:** The charter school administration and school board are aware of the requirements of Title II of the Americans with Disabilities Act (ADA) and will comply with those requirements.

- ☐ **Lease is not with a Related Party:** The charter school leases property from a non-profit corporation under chapter 317A or a cooperative under chapter 308A or leases property from a for-profit organization where there are no related party affiliations as defined in Minnesota Statutes, section 124E.13, subdivision 2 (a).
 - (a) A charter school is prohibited from entering a lease of real property with a related party unless the lessor is a nonprofit corporation under chapter 317A or a cooperative under chapter 308A, and the lease cost is reasonable under section 124E.22, paragraph (a), clause (1).
 - (b) For purposes of this section and section 124E.02:
 - (1) “Affidavit” means a written statement the authorizer submits to the commissioner for approval to establish a charter school under section 124E.06, subdivision 4, attesting to its review and approval process before chartering a school.
 - (2) “Affiliate” means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person;
 - (3) “Control” means the ability to affect the management, operations, or policy actions or decisions of a person whether by owning voting securities, by contract or otherwise.
 - (4) “Immediate family” means an individual whose relationship by blood, marriage, adoption, or partnership is more remote than first cousin.
 - (5) “Person” means an individual or entity of any kind.
 - (6) “Related party” means an affiliate or immediate relative of the other interested party, an affiliate of an immediate relative who is the other interested party, or an immediate relative of an affiliate who is the other interested party.

FY 2019 Charter School Lease Aid Certification Form – Part 1 (continued)

Charter School Name:

Charter School Number:

- (c) A lease of real property to be used for a charter school, not excluded in paragraph (a), must contain the following statement: "This lease is subject to Minnesota Statutes, section 124E.13, subdivision 2."
- (d) If a charter school enters into as lessee a lease with a related party and the charter school subsequently closes, the commissioner has the right to recover from the lessor any lease payments in excess of those that are reasonable under section 124E.22, paragraph (a), clause (1).

School districts are neither non-profits nor cooperatives, and therefore do not fall under this exception and are ineligible to rent to schools for which they authorize. This prohibition does not prevent school districts from renting to charter schools for which they are not the authorizer.

- ☐ **Fire Code Compliance:** The charter school has been inspected by the Minnesota State Fire Marshal or its local designee within the last three years for compliance with the Minnesota State Fire Code for Educational Occupancy and has an inspection report showing that any outstanding violations discovered during the initial inspection have been remedied.

Date of last final/closed fire inspection:

I hereby verify the information provided in Part 1 of the FY 2019 Charter School Lease Aid Certification Form to be true and correct.

Print Name of Person Preparing Form

Signature of Person Preparing Form

Date

Print Name of Board Chair

Signature of Board Chair

Date

FY 2019 Charter School Lease Aid Certification Form – Part 2

Charter School Name:	Charter School Number:
Approved FY 2019 Authorizer:	Building Owner and Building Address:
Will this be the first time your charter serves students at this location? Yes <input type="checkbox"/> No <input type="checkbox"/>	

Lease Information

Square Footage:	Total July 1, 2018, through June 30, 2019, sum certain annual lease cost:
Is the lessor an affiliated nonprofit building corporation? Yes <input type="checkbox"/> No <input type="checkbox"/>	
If yes, what date was the affiliated nonprofit building corporation formed? If yes, what date was the lease agreement with the affiliated nonprofit building corporation last modified?	
Does the affiliated nonprofit building corporation own the facility? Yes <input type="checkbox"/> No <input type="checkbox"/>	
Are there any additional expenses in your sum certain annual lease cost to be made to the landlord in FY 2019 which include: custodial, maintenance services, utilities, Common Area Maintenance (CAM) costs, landscaping, snow removal, lawn care costs, property taxes, property insurance or property management fees? Yes <input type="checkbox"/> No <input type="checkbox"/>	
Property Management fees can include accounting expenses, advertising, office expenses, and administrative duties related to managing the property. If yes to the above, provide a list of the purposes and amounts.	
If you have property management fees, do they include costs that are not allowed which are: any CAM costs, utilities, custodial and/or fees such as maintenance, landscaping, snow removal, lawn care costs, license, leasing, late, vacancy, eviction? Yes <input type="checkbox"/> No <input type="checkbox"/>	
If so, how much of the fee is allocated to these services?	
NOTE: Charter schools must code all eligible lease aid expenditures including any additional rent payments for property taxes (excluding special assessments) to Program Code 850, Finance Code 348, and Object Code 370.	
Will additional payments other than the sum certain annual lease cost be made to the landlord in FY 2019 (e.g. custodial services, utilities, CAM costs, landscaping, snow removal, lawn care costs, property taxes, property insurance and/or property management fees)? Yes <input type="checkbox"/> No <input type="checkbox"/>	
Property Management fees can include accounting expenses, advertising, office expenses, and administrative duties related to managing the property. If yes to the above, provide a list of the purposes and amounts.	
If you have property management fees, do they include costs that are not allowed which are: any CAM costs, utilities, custodial and/or fees such as maintenance, landscaping, snow removal, lawn care costs, license, leasing, late, vacancy, eviction? Yes <input type="checkbox"/> No <input type="checkbox"/>	
If so, how much of the fee is allocated to these services?	

FY 2019 Charter School Lease Aid Certification Form – Part 2 (continued)

Charter School Name _____ Charter School Number _____

Is the charter school currently delinquent with any lease payments?

Yes ☐ No ☐

If yes, attach a list of the due dates, amounts owed, and payee(s).

A sum certain annual cost and a closure clause as defined in Minnesota Statutes, section 124E.22, paragraph (a) (3) (i) and (ii), has been written into the lease.

Yes ☐ No ☐

Does the charter school have programs which serve prekindergarten children?

Yes ☐ No ☐

If yes, are the programs instructional?

Yes ☐ No ☐

Has the school received approval for "Early Learning Supplemental Affidavit?"

Yes ☐ No ☐

Note: Please clearly identify the space used, square footage, and time usage for these programs.

Does the charter school rent out any portion of its facilities?

Yes ☐ No ☐

If yes, include copies of subleases.

Note: Please clearly identify the space used, square footage, and time usage for these sublease agreements.

I hereby verify the information provided in Part 2 of the FY 2019 Charter School Lease Aid Certification Form to be true and correct.

Print Name of Person Preparing Form

Signature of Person Preparing Form

Date

Print Name of Board Chair

Signature of Board Chair

Date

FY 2019 Charter School Lease Aid Certification Form – Part 3 (Non-Profit)

Board Member Certification For Leases With a **NON-PROFIT** Lessor

List the name of the lessor and the building address for each lease agreement covered by this certification.

Non-Profit Lessor 1: _____

Non-Profit Lessor 2: _____

Non-Profit Lessor 3: _____

Non-Profit Lessor 4: _____

Non-Profit Lessor 5: _____

COMPLETE ONLY ONE SECTION BELOW

A **NON-PROFIT** lessor with *leases entered into or last modified **ON or BEFORE August 1, 2009***.

CHECK ONLY ONE OF THE FOLLOWING STATEMENTS:

- ☐ I hereby certify **I am not** an employee or agent of, or a contractor with, or a board member of, the charter school's non-profit lessor(s), listed above as number(s) _____.
- ☐ I hereby certify that **I am** an employee or agent of, or a contractor with, or a board member of, the charter school's non-profit lessor(s), listed above as number(s) _____, and that I hereby disclose such conflict(s) to the commissioner, as follows: _____

(Please note that disclosing these conflicts does not necessarily negate any conflicts of interest that may be present under Minnesota's non-profit law, Minnesota Statutes, chapter 317A).

OR

A **NON-PROFIT** lessor with *leases entered into or last modified **AFTER August 1, 2009***

CHECK ONLY ONE OF THE FOLLOWING STATEMENTS:

- ☐ I hereby certify that neither, I, nor my immediate family member, nor my partner, is an owner, employee or agent of, or a contractor with, the above named lessor(s) (Minn. Stat. § 124E.14(a)).
- ☐ I hereby certify that I, or an immediate family member, or my partner, has a financial or other interest in the above-named lessor(s), I have not participated in selecting, awarding or administering the above-named lease agreement(s). (Minn. Stat. § 124E.14(a).)

Print Name of Charter School Board Member

Charter School Board Member Signature

Date

FY 2019 Charter School Lease Aid Certification Form – Part 3 (For-Profit)

Board Member Certification

For Leases With a **FOR-PROFIT** Lessor

List the name of the lessor and the building address for each lease agreement covered by this certification.

For-Profit Lessor 1: _____

For-Profit Lessor 2: _____

For-Profit Lessor 3: _____

For-Profit Lessor 4: _____

For-Profit Lessor 5: _____

COMPLETE ONLY ONE SECTION BELOW

A **FOR-PROFIT** lessor with *leases entered into or last modified **ON or BEFORE August 1, 2009***.

☐

I hereby certify that neither, I, nor my immediate family member, nor my partner, is an owner, employee or agent of, or a contractor with, the above named lessor(s). (Minn. Stat. § 124E.14(a).)

OR

A **FOR-PROFIT** lessor with *leases entered into or last modified **AFTER August 1, 2009***

CHECK ONLY ONE OF THE FOLLOWING STATEMENTS:

☐

I hereby certify that neither, I, nor my immediate family member, nor my partner, is an owner, employee or agent of, or a contractor with, the above-named lessor(s). (Minn. Stat. § 124E.14(a).)

☐

I hereby certify that I, or an immediate family member, or my partner, has a financial or other interest in the above-named lessor(s), I have not participated in selecting, awarding or administering the above-named lease agreement(s). (Minn. Stat. § 124E.14(a).)

Print Name of Charter School Board Member

Charter School Board Member Signature

Date

FY 2019 Charter School Lease Aid Certification Form – Part 4

Charter School Assurances

[1] I assure that _____ charter school has looked for facilities that comply with Minnesota Statutes, section 124E.03, subdivision 2(a), and section 124E.13, subdivision 1.

Name of Landlord _____

Is this landlord a sectarian organization? (Please check one) Yes ☐ No ☐

If Yes, please complete parts a, b and c below:

- a. Identify any involvement of any of the charter school's directors, administrators, or teachers in the sectarian organization. **(Please check one)** Yes ☐ No ☐

- b. Identify any telephone or fax numbers, email addresses, employer identification numbers, and employees that the charter school shares with the sectarian organization. **(Please check one)** Yes ☐ No ☐

- c. Identify and describe any activities by the sectarian organization in support of your school, including, but not limited to, fundraising, student recruitment, promotion, any claimed affiliation with your school and sponsorship of school programs or events.
(Please check one) Yes ☐ No ☐

[2] _____ charter school has taken steps to maintain nonsectarian school facilities in compliance with Minnesota Statutes, section 124E.06, subdivision 3(b), such that there are no religious texts, symbols, quotations, or objects displayed in school facilities on school days.
Yes ☐ No ☐ , **if No, please complete Parts a and b below.**

- a. If religious texts or multiple substantive quotations from religious texts are used in any classes or teaching materials other than those appearing as part of survey classes that teach about multiple religions), describe the texts or materials and quotations:

- b. Describe all prayers, calls to prayers, invocations, readings of religious texts, and religious greetings that have been delivered in connection with school activities:

FY 2019 Charter School Lease Aid Certification Form – Part 4 (continued)

- [3] I assure that if _____ charter school allows religious or other activities on school property during non-instructional time, there is a board-adopted policy allowing equal access to all groups and that such access otherwise complies with Minnesota Statutes, section 124E.06, subdivision 3(b).

Print Name of Charter School Director

Charter School Director's Signature

Date

Print Name of Board Chair

Board Chair's Signature

Date

General Fund Budget – FY 2019

Charter School Name _____ Charter School Number _____

Average Daily Membership (ADM) _____ Pupil Units _____

Revenues	Amount	
General Education Aid		
Title Programs		
Lease Aid		
Special Education		
Other (List)		
Total Revenues		

Expenditures	Amount	Full-Time Equivalent (FTE)
Administrative Salary and Benefits		
Instructional Salary and Benefits		
Non-Instructional Salary and Benefits		
Custodial/Maintenance Salary and Benefits		
Other Salary and Benefits		
Utilities		
Property Taxes		
Building Maintenance and Repair		
Building Lease		
Transportation		
All Other Purchased Services		
Supplies and Materials		
Capital Expenditures		
All Other Expenditures		
Total Expenditures		
Revenue Less Expenditures		
Beginning Fund Balance		
Ending Fund Balance		

FY 2019 Charter School Lease Aid Application Checklist

Charter School Name _____ Charter School Number _____

Building and General Lease Information

- ☐ Cover letter addressed to MDE formally requesting lease aid for FY 2019.
- ☐ FY 2019 Charter School Lease Aid Application Form – Part 1 (Pages 5-6 attached).
- ☐ FY 2019 Charter School Lease Aid Application Form – Part 2 for each address where students are served (Pages 7-8 attached).
- ☐ Lease – A copy of the lease agreement including all attachments and/or addenda and signed by both the lessor and the lessee. **Any new lease or any amendment to an existing lease, executed on or after May 18, 2014, must contain a sum certain annual cost and a closure clause as defined in Minnesota Statutes, section 124E.22.**
- ☐ A Fire Inspection Report from the Minnesota State Fire Marshal or its local designee within the last three years. The report must show that any outstanding violations discovered during the initial inspection have been remedied.
- ☐ Prekindergarten programs clearly identified by the space used, square footage, and time usage.
- ☐ Sublease agreement(s) – A copy of the sublease agreement(s) including all attachments and/or addenda and signed by both the lessor and lessee. Subleased space is clearly identified by the space used, square footage, and time usage.

New Charter Schools or Charter Schools with New or Expanded Facilities Only

- ☐ Construction – Type of construction (brick, wood frame, etc.) and age of the building.
- ☐ Photos – Interior and exterior photos of the leased facility. **Please do not include photos that contain people, as their identity has to be redacted in case of a public data request.**
- ☐ Schematic and Space Configuration – Include a schematic of the building and identify the leased space and the programmatic use of each space. Indicate the square footage of each space.
- ☐ Certificate of Occupancy (Group E) – A copy of the certificate as issued by the local building official. The certificate **must** show the building is a Group E classification. There can be instances where the Certificate of Occupancy will have a Group E classification for the educational space and a Group A classification for the auditorium or gym space.
- ☐ Emergency Action Plan – A plan meeting the Department of Public Safety's criteria for evacuation of the facility in an emergency.

Board Information

- ☐ Listing of current board members, including their term start and end dates and their relationship to the school (i.e., parent, staff, non-parent community member, or ex-officio).
- ☐ FY 2019 Charter School Lease Aid Certification Form – Part 3 for each board member (Pages 9-10 attached).
- ☐ Schools with an Affiliated Nonprofit Building Corporation (ABC) must submit a list of ABC board members.
- ☐ FY 2019 Charter School Lease Aid Certification – Part 4 (Pages 11-12 attached).

Financial Information

- ☐ General Fund Budget – FY 2019 Attachment A (Page 13 attached) – An operating budget with detailed revenue and expense items such that the lease cost and revenue are readily identifiable. The budget submission must also include staff Full-Time Equivalent (FTE) as well as student Average Daily Membership (ADM) and pupil units. Schools may submit budgets in a different format, but must also complete and submit Attachment A.

Name and Position of Person Preparing Form

Signature of Person Preparing Form

Date

Lease Aid

The Minnesota Department of Education (MDE) Division of School Finance has received many questions about the timing of lease aid payments. The payment system does not pay each categorical aid (general education, special education and lease aid) equally with each payment. Since lease aid is part of the metering system, this means that the total amount of cash received each pay period is based on all metered payments, no matter from what program you are receiving the payment. If the charter school did not have lease aid, its total payment would be smaller. By June 30, 2019, MDE will have paid 90 percent of each program's FY 2019 state aid entitlement. See "amount payable, current account" column on the IDEAS State Aids Combined Payment report found on the [Minnesota Funding Reports \(MFR\)](#) section of the MDE website. The balance of 10 percent of final FY 2019 state aid entitlements will be paid in FY 2020.

The bottom line is that schools are receiving total payments which reflect entitlements, including lease aid; however, each payment is not specifically categorized as lease aid on an equal basis. Again, some future payments will reflect lease aid categorical payments and by year end, 90 percent of the estimated lease aid entitlement will be paid out.

If the charter school's Current Account Part 1 page of the IDEAS State Aids Combined Payment report shows no entitlement for lease aid, that means a lease aid application for the current year has not been approved; contact the [Lease Aid Review Team](#). For further information regarding the payment process, please contact [Ann VanDiest](#) (651-582-8745).

Minnesota Statutes Governing Charter School Lease Aid

The sections of Minnesota Statutes cited below govern the Minnesota Department of Education's administration of charter school lease aid. All charter school building leases and lease aid applications will be reviewed for compliance with these statutory requirements. Compliance with these items is not an assurance other legal requirements may apply.

1. [Minnesota Statutes, section 124E.22](#)

Building lease aid.

- (a) When a charter school finds it economically advantageous to rent or lease a building or land for any instructional purposes and it determines that the total operating capital revenue under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for building lease aid for this purpose. The commissioner must review and either approve or deny a lease aid application using the following criteria:
 - (1) the reasonableness of the price based on current market values;
 - (2) the extent to which the lease conforms to applicable state laws and rules; and
 - (3) the appropriateness of the proposed lease in the context of the space needs and financial circumstances of the charter school. The commissioner must approve aid only for a facility lease that has (i) a sum certain annual cost and (ii) a closure clause to relieve the charter school of its lease obligations at the time the charter contract is terminated or not renewed; the closure clause must not be constructed or construed to relieve the charter school of its lease obligations in effect before the charter contract is terminated or not renewed.
- (b) A charter school must not use the building lease aid it receives for custodial, maintenance service, utility, or other operating costs.
- (c) The amount of annual building lease aid for a charter school shall not exceed the lesser of (1) 90 percent of the approved cost or (2) the product of the pupil units served for the current school year times \$1,314.
- (d) A charter school's building lease aid pupil units equals the sum of the charter school pupil units under section 126C.05 and the pupil units for the portion of the day that the charter school's enrolled students are participating in the Postsecondary Enrollment Options Act under section 124D.09 and not otherwise included in the pupil count under section 126C.05.

2. [Minnesota Statutes, section 124E.07, subdivision 3\(b\)\(c\)\(d\)](#) and [section 124E.14 \(a\)\(b\) and \(c\)](#)

Section 124E.07, subdivision 3. Membership.

- (b) An individual is prohibited from serving as a member of the charter school board of directors if: (1) the individual, an immediate family member, or the individual's partner is a full or part owner or principal with a for-profit or nonprofit entity or independent contractor with whom the charter school contracts, directly or indirectly, for professional services, goods, or facilities; or (2) an immediate family member is an employee of the school. An individual may serve as a member of the board of directors if no conflict of interest exists under this paragraph, consistent with this section.
- (c) A violation of paragraph (b) renders a contract voidable at the option of the commissioner or the charter school board of directors. A member of a charter school board of directors who violates paragraph (b) is individually liable to the charter school for any damage caused by the violation.

- (d) Any employee, agent, or board member of the authorizer who participates in initially reviewing, approving, overseeing, evaluating, renewing, or not renewing the charter school is ineligible to serve on the board of directors of a school chartered by that authorizer.

Section 124E.14. Conflicts of Interest.

- (a) No member of the board of directors, employee, officer, or agent of a charter school shall participate in selecting, awarding, or administering a contract if a conflict of interest exists. A conflict exists when:
- (1) the board member, employee, officer, or agent;
 - (2) the immediate family of the board member, employee, officer, or agent;
 - (3) the partner of the board member, employee, officer, or agent; or
 - (4) an organization that employs, or is about to employ any individual in clauses (1) to (3), has a financial or other interest in the entity with which the charter school is contracting. A violation of this prohibition renders the contract void.
- (b) The conflict of interest provisions under this subdivision do not apply to compensation paid to a teacher employed as a teacher by the charter school or a teacher who provides instructional services to the charter school through a cooperative formed under chapter 308A when the teacher also serves on the charter school board of directors.
- (c) A charter school board member, employee, or officer is a local official for purposes of section 471.895 with regard to receipt of gifts as defined under section 10A.071, subdivision 1, paragraph (b). A board member, employee, or officer must not receive compensation from a group health insurance provider.

3. [Minnesota Statutes, section 124E.03, subdivision 2](#), states, in part:

Subdivision 2. General federal, state, and local requirements.

- (a) A charter school shall meet all federal, state, and local health and safety requirements applicable to school districts....

Note: A partial listing of such requirements is provided for your information in Attachment D. To ensure that students, staff, parents and guests across the state have safe and appropriate public school buildings, the Minnesota Department of Education charter school lease aid eligibility criteria require that the leased facility must be:

- Inspected as a public school and be certified by the state or local building official for Educational Group E occupancy;
- Inspected by the State Fire Marshal or by a designee approved by the State Fire Marshal's office to inspect public schools. Any violations found in the initial inspection must be remedied within the prescribed timeframes as indicated on the inspection report.

4. [Minnesota Statutes, section 124E.13, subdivisions 1 and 3](#)

Subdivision 1. Leased space.

A charter school may lease space from: an independent or special school board, other public organization, private, nonprofit, nonsectarian organization; private property owner; or a sectarian organization if the leased space is constructed as a school facility. The department must review and approve or disapprove leases in a timely manner for purposes of determining eligibility for lease aid under section 124E.22.

Subdivision 3. Affiliated nonprofit building corporation.

- (a) An affiliated nonprofit building corporation may purchase, expand, or renovate an existing facility to serve as a school or may construct a new school facility. A charter school may organize an affiliated nonprofit building corporation if the charter school:
 - (i) has operated for at least six consecutive years;
 - (ii) as of June 30, has a net positive unreserved general fund balance in the preceding three fiscal years;
 - (iii) has long-range strategic and financial plans that include enrollment projections for at least five years;
 - (iv) completes a feasibility study of facility options that outlines the benefits and costs of each option; and
 - (v) has a plan that describes project parameters and budget.
- (b) An affiliated nonprofit building corporation under this subdivision must:
 - (1) be incorporated under section 317A;
 - (2) comply with applicable Internal Revenue Service regulations, including regulations for "supporting organizations" as defined by the Internal Revenue Service;
 - (3) post on the school Web site the name, mailing address, bylaws, minutes of board meetings, and names of the current board of directors of the affiliated nonprofit building corporation;
 - (4) submit to the commissioner a copy of its annual audit by December 31 of each year; and
 - (5) comply with government data practices law under chapter 13.
- (c) An affiliated nonprofit building corporation must not serve as the leasing agent for property or facilities it does not own. A charter school that leases a facility from an affiliated nonprofit building corporation that does not own the leased facility is ineligible to receive charter school lease aid. The state is immune from liability resulting from a contract between a charter school and an affiliated nonprofit building corporation.
- (d) The board of directors of the charter school must ensure the affiliated nonprofit building corporation complies with all applicable legal requirements. The charter school's authorizer must oversee the efforts of the board of directors of the charter school to ensure legal compliance of the affiliated building corporation. A school's board of directors that fails to ensure the affiliated nonprofit building corporation's compliance violates its responsibilities and an authorizer must consider that failure when evaluating the charter school.

5. [Minnesota Statutes, section 124E.13, subdivision 2 \(a\)\(b\) and \(c\)](#)

Subdivision 2. Related party lease costs.

- (a) A charter school must not enter into a lease of real property with a related party unless the lessor is a nonprofit corporation under chapter 317A or a cooperative under chapter 308A, and the lease cost is reasonable under section 124E.22, paragraph (a) clause (1).
- (b) A related party permitted to enter into a lease under paragraph (a) must include the following statement in the lease: "This lease is subject to Minnesota Statutes, section 124E.13, subdivision 2."
- (c) If a charter school leases space from a related party and the charter school subsequently closes, the commissioner has the right to recover from the related party any lease payments in excess of those that are reasonable under section 124E.22, paragraph (a), clause 1.

For purposes of this section and section 124E.02 paragraph (b)

- (1) "Affidavit" means a written statement the authorizer submits to the commissioner for approval to establish a charter school under section 124E.06, subdivision 4, attesting to its review and approval process before chartering a school.
- (2) "Affiliate" means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person;
- (3) "Control" means the ability to affect the management, operations, or policy actions or decisions of person, whether by owning voting securities, by contract, or otherwise.
- (4) "Immediate family" means an individual whose relationship by blood, marriage, adoption or partnership is no more remote than first cousin.
- (5) "Person" means an individual or entity of any kind.
- (6) "Related party" means an affiliate or immediate relative of the other interested party, an affiliate of an immediate relative who is the other interested party, or an immediate relative of an affiliate who is the other interested party.

Partial Listing of State, Local and Federal Health and Safety Laws

Note: This list is provided for information only and contains some, but not all federal, state and local health and safety laws. Compliance with the items listed does not fully guarantee that a school has met all federal, state and local health and safety laws as required under Minnesota Statutes, section 124E.03, subdivision 2(a).

Asbestos

- Develop and implement an Asbestos Hazard Emergency Response Act (AHERA) written management plan encompassing 40 Code of Federal Regulation (C.F.R.) part 763, subpart E.
- Identify current designated person; ensure designated person is AHERA trained.
- If the designated person is not a district employee, identify local contact person representing school.
- Review and update existing asbestos management plan.
- Develop and disseminate annual written notification.
- Provide 14-hour maintenance/custodial operations and maintenance training.
- Establish a general work order system and asbestos work order system.
- Establish work practice standard operating procedures.
- Establish emergency response procedures.
- Establish respiratory protection program component for asbestos.
- Provide six-month periodic surveillance of asbestos.
- Maintain and update the asbestos inventories.
- Maintain all records of asbestos events, per the Occupational Safety and Health Administration (OSHA) and Asbestos Hazard Emergency Response Act (AHERA).
- Establish and implement medical monitoring and surveillance program.
- Schedule response action implementation.
- Provide liaison with project designer for projects which exceed three feet.
- Provide and post hazardous warning labels in routine maintenance areas.
- Provide two-hour asbestos awareness training, necessary for all maintenance/custodial persons.
- Perform three-year re-inspections.
- Review program and obtain school board approval at least annually.

Accident and Injury Reduction Program: Model AWAIR Program for Minnesota Schools

- Develop and implement a written management plan for accident and injury reduction – A Workplace Accident and Injury Reduction (AWAIR) can be reached at 408-348-1939.
- Develop procedures that outline how managers, supervisors and employees are responsible for implementing the written program and how continued participation of management will be established, measured, and maintained.
- Identify school district contact person(s) for accident and injury reduction program.
- Review written plan as needed, and update (at least annually).
- Develop and implement a written plan for OSHA-mandated safety committees.
- Conduct safety committee meetings, at least quarterly, to identify and eliminate workplace safety hazards.
- Develop and document methods used to identify, analyze, and control new or existing hazards.

- Identify and document methods of how the plan will be communicated to all affected employees so that they are informed of work-related hazards and controls. Develop and document procedures for investigation of workplace accidents and corrective action.
- Develop and document procedures that outline how safe work practices and rules will be enforced.
- Review program and obtain school board approval at least annually.

Bloodborne Pathogen Standard – Exposure Control Plan

- Develop and implement a bloodborne pathogen exposure control plan encompassing OSHA standard 29 Code of Federal Regulations (C.F.R.) 1910.1030.
- Identify school district contact person(s) as the exposure control officer(s).
- Review written plan, as needed, and update (at least annually).
- Survey the facility to identify job categories in which employees may be at risk to exposure (Exposure Control Plan exposure determination). **Document this process.**
- Provide Hepatitis B vaccinations to **eligible** employees that have an anticipated risk of exposure, not all school employees.
- Train affected employees on proper specific and universal precaution methods and techniques.
- Determine valid exposure incidents. Record and report on First Report of Injury for proper insurance treatment.
- Evaluate bloodborne pathogen recordkeeping products and procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Monitor or provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.
- For employees identified because they are first-aid responders, ensure these individuals are provided first-aid training (Red Cross training recommended).
- Develop and implement program to provide exposure control kits (e.g., gloves, masks, gowns). Kits are eligible for health and safety funding, but as a separate project.
- Pre- or post-exposure evaluation is an approved expenditure under health and safety, to the extent of determining if a person is or is not infected, and the type of the disease(s) (e.g., Human Immunodeficiency Virus (HIV), Hepatitis B Virus (HBV) and Hepatitis C Virus (HCV)).

Community Right-to-Know

- Develop and implement a written management plan for Community Right To Know (CRTK).
- Identify school district contact person(s) for community right-to-know.
- Review written plan, as needed, and update at least annually.
- Survey facility for hazardous materials in reportable quantities.
- Develop and maintain hazardous materials collection and storage procedures.
- Review invoices of CRTK-reportable materials for quantity verification.
- Initiate in-house reporting procedure(s).
- Prepare notification correspondence/reports to state emergency response commission and local emergency planning committee (frequently the district's local fire department).
- Train affected employees. Provide annual training.
- Develop and implement CRTK recordkeeping procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations (i.e., Minnesota Emergency Response Commission).
- Provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.

Compressed Gas

- Develop a written compressed gas plan encompassing OSHA standard 29 C.F.R. 1910.101.
- Identify school district contact person(s) for compressed gas.
- Review written plan, as needed, and update at least annually.
- Survey the facility to determine compressed gas applications.
- Review current compressed gas safety procedures.
- Identify compressed gas toxic and physical hazards.
- Evaluate compressed gas application to determine if confined space rules apply.
- Determine need for metering equipment/supplies (i.e., CO, CO₂, O₂, SO₂, and H₂S).
- Train affected employees on proper compressed gas methods and techniques.
- Monitor compressed gas recordkeeping procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Monitor or provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.

Confined Space Standard

- Develop and implement a written management plan for confined spaces encompassing the OSHA standard 29 C.F.R. 1910.146.
- Identify school district contact person(s) for confined spaces.
- Review written plan, as needed, and update at least annually.
- Identify confined space entry hazards. Survey the facility to determine all permit and non-permit confined spaces.
- Review current Confined Space Entry Procedures (CSEP).
- Procure and use proper ventilation, communication, personal protective and gas testing equipment, as needed (identify equipment as separate health and safety projects).
- Train affected employees on proper Confined Space Entry methods and techniques.
- Develop and maintain confined spaces recordkeeping procedures.
- Evaluate confined space recordkeeping products and procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Monitor or provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.

Electrical Safety – (29 C.F.R. 1910.301-308 and 1910.331-335)

- Written plan.
- Contact person.
- Provide training to employees.
- Select and use safe work practices.
- Determine safe use of equipment.
- Provide for protective equipment (contact OSHA for more information).
- Provide training to employees.
- Recordkeeping.
- Annual review.

Many incidents of electric shock occur in schools each year.

Emergency Action Plan

- Develop and implement written management plans for each school for each type of emergency: fire, utility disaster and natural disaster. Violence prevention planning is not supported under Long-Term Facilities Maintenance (LTFM) revenue, per Minnesota Statutes, section 123B.595, subdivision 11.
- Identify school district contact person(s) for each emergency plan.
- Survey the facility to determine the facility's ability to provide safe egress or safe shelter.
- Develop emergency action plan procedures and routes per OSHA standard 29 C.F.R. 1910.38.
- Post evacuation or shelter routes and locations, in each classroom, office or assembly area.
- Route(s) should be shown drawn on 8 x 11 scale building map, preferably color-coded.
- Train affected employees.
- Review written plan, as needed, and update at least annually.
- Develop and implement written recordkeeping procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- "...Cooperate with local government authorities to ensure the preparation of plans for the protection of students in an emergency. These plans should include sheltering students in schools, or evacuating them to their homes, as well as using the schools as congregate care centers in support of emergency operations." (Minnesota Governor's Executive Order 15-13 which rescinded 13-13.)
- Review program and obtain school board approval at least annually.

Employee Right-to-Know – Hazard Communication

- Develop and implement a written management plan for Minnesota Employee Right-to-Know (ERTK), in compliance with 29 C.F.R. 1910.1200, and Minnesota Rules, chapter 5206.0700.
- Minnesota has adopted the revised HazCom standard that will be enforced by the Homeland Security and Emergency Management by June 1, 2017.
- Identify school district contact person(s) for ERTK.
- Review written plan, as needed, and update at least annually.
- Identify hazard communications functional areas (e.g., kitchen, shops, art, and maintenance).
- Survey the facility to identify chemical, heat, noise, radiation and infectious agents' hazards. Review at least annually.
- Safety Data Sheet (SDS) acquisition, compilation and distribution. Ideally, SDS would be available in each affected department. Global harmonizing system labeling compliance effective June 1, 2015.
- Perform chemical inventory. Update at least annually. Ideally, chemical inventory would be available with Material Safety Data Sheets (MSDSs) in each affected department.
- Monitor use and markings on secondary-use containers.
- Ensure placement of ERTK Minnesota-approved posters.
- Review and update current ERTK standard operating procedures.
- Perform initial and annual functional area training.
- Provide all recordkeeping activities and procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Monitor or provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.

First Aid/CPR/AED (Cardiopulmonary Resuscitation/Automatic External Defibrillator)

- Develop and implement a written management plan for First Aid/CPR/AED.
- Identify school district contact person(s) for First Aid/CPR/AED.

- Determine time for arrival of first aid providers (outside and in-house). Per OSHA Compliance (CPL) 2-2.53, first aid must be available within eight minutes from any site, including travel time.
- Review written plan, as needed, and update at least annually.
- Survey facility for First Aid/CPR/AED needs.
- Provide First Aid/CPR/AED training as required.
- Develop and implement program to provide emergency first-aid kits. Kits and replacement supplies for the emergency kits are eligible for health and safety funding, but not first-aid medical supplies in general.
- Review program and obtain school board approval at least annually.

Food Safety Inspection Certification

- Develop policies and procedures to support the Minnesota Food Code rule.
- Identify school district contact person (certified food manager) who demonstrates knowledge of the Minnesota Food Code.
- Review updates on regulatory standards and reporting requirements.
- Identify critical areas and use a systems approach with Hazardous Analysis Critical Control Points (HACCP).
- Respond to regulatory agency correspondence.
- Provide annual training.
- Review program and obtain school board approval at least annually.
- Forklift Safety 29 C.F.R. 1910.178.
- Develop and implement a written plan.
- Identify contact person.
- Maintain inventory forklifts.
- Identify employees who operate forklifts and provide required training.
- Ensure safe changing and charging battery procedures for electric forklifts (1910.178(g)).
- Conduct carbon monoxide monitoring (Minn. R. 5205.0116) in space and tailpipe emissions for non-battery operated forklifts.
- Inspect forklifts and provide for all safety equipment required.
- Detach propane tanks and provide storage outside occupied areas.

Hazardous Waste

- Develop and implement a written management plan for hazardous waste. These are defined as wastes, which are toxic, combustible, corrosive or reactive.
- Identify school district contact person(s) for hazardous waste.
- Review written plan, as needed, and update at least annually.
- Identify facility hazardous waste streams by functional areas and by waste stream types.
- Examine facility hazardous waste product generation potential.
- Identify actions that minimize or eliminate hazardous waste generation.
- Develop containerization and labeling procedures.
- Review current handling and storage procedures.
- Implement proper waste disposal procedures. Complete disposal manifests.
- Acquire Environmental Protection Agency (EPA) generator number and Minnesota Pollution Control Agency (MPCA) annual permit for each building generating hazardous waste.
- Train affected employees. Provide annual training according to Very Small Quantity Generator (VSQG) or Small Quantity Generator (SQG) criteria.

- Monitor or provide updates on regulatory changes and new developments. Review updates on regulatory standards, reporting requirements and new developments.
- Develop and implement written recordkeeping procedures and maintain all compliance documentation.
- Evaluate boiler and other stack emissions to air with respect to current MPCA stack emissions standards.
- Review program and obtain school board approval at least annually.

Hearing Conservation

- Develop and implement a written management plan for hearing conservation per 29 C.F.R. 1910.95.
- Identify school district contact person(s) for hearing conservation.
- Review written plan, as needed, and update at least annually.
- Identify hearing conservation hazards. Survey the facility to determine all noise hazards.
- Develop, implement and monitor good hearing conservation practices and procedures.
- Train affected employees on proper hearing conservation methods and techniques.
- Provide audiometric testing for employees with an eight-hour, time-weighted average exposure of 85 dB (decibel) or more.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Monitor or provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.

Hoist Lift – (Minnesota Rules, chapter 5205.1200)

- Develop and implement a written plan.
- Identify contact person.
- Maintain inventory of hoists rated one ton or less and backhoes.
- Inspect and document inspection on listed equipment initially for compliance with the regulation.
- Conduct daily to monthly inspections (depending on use).
- Ensure safety latches are provided on all hoist hooks used on hoist.
- Provide training to employees.
- Recordkeeping.
- Collect annual review.

Indoor Air Quality (IAQ)

- Develop and implement a written management IAQ, encompassing the U.S. EPA “Tools for Schools.”
- Identify school district IAQ coordinator for indoor air quality.
- Survey, identify and document situations and work practices that require indoor air quality remediation.
- Training of employees and building occupants toward optimum indoor air quality.
- Develop, document and monitor plan compliance with recordkeeping procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Monitor or provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.

Infectious Waste (exclusive of Bloodborne Pathogens, if any)

- Develop and implement a written management plans for infectious waste, if any (note: blood or other potentially infectious materials are covered under Bloodborne Pathogen).
- Identify school district contact person(s) for infectious waste management.
- Identify sources of infectious waste in each facility.

- Review current infectious waste handling procedures.
- Review current internal traffic procedures.
- Review current external transportation/disposal of infectious waste.
- Evaluate current infectious waste recordkeeping products and procedures (including archiving).
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Provide updates on regulatory changes and new developments.
- Provide annual training.
- Review program and obtain school board approval at least annually.

Integrated Pest Management (IPM) Parental Notification – (Minnesota Statutes, section 121A.30)

- **Integrated Pest Management Definition.** A pest control that emphasizes using a balanced combination of tactics (cultural, mechanical, biological, chemical) to reduce pests to tolerable levels while using pesticides as a last resort to minimize health and environmental risks.
- **Notice.** Requires that a public or non-public school (excluding home schools) planning to apply a pesticide that is a toxic category I, II or III product, classified by U.S. EPA, or a restricted-use pesticide, as designated by federal law, on school property, must provide a notice to parents and employees that they applied such pesticides.
- **School Handbook or Statement of Policies.** In addition to the notice described above, a school that is required to provide a notice shall include in the official school handbook or policy guide a section informing parents that an estimated schedule of applications of pesticides is available for review or copying. A parent may also receive prior notice of each application if requested.
- **Notification for Individual Parents.** Allows a parent to request individual notice of pesticide application on a day different from the days specified in the notice. Prior to applying pesticides, a school must give reasonable notice to a parent requesting such notice.
- **Integrated Pest Management Plan.** Permits each school board to notify students, parents and employees that it has adopted an integrated pest management plan designed to minimize the risk to human health and the environment to reduce the use of chemical pesticides.
- **Pesticides and Pests Defined.** “Pesticide” has the meaning given it in Minnesota Statutes, section 18B.01, subdivision 18, except that it does not include any disinfectants, sanitizers, deodorizers, or antimicrobial agents used for general cleaning purposes. “Pest” has the meaning given it in Minnesota Statutes, section 18B.01, subdivision 17.

Laboratory Safety Standard – Chemical Hygiene Plan (mandatory where science labs exist)

- Develop and implement a Chemical Hygiene Plan (CHP) for all laboratories, per OSHA under the Laboratory Safety Standard, 29 C.F.R. 1910.1450.
- Identify school district chemical hygiene officer to administer the plan (mandatory).
- Review written plan, as needed, and update at least annually.
- Survey labs to identify potential chemical exposure hazards.
- Review current Chemical Hygiene Plan standard operating procedures.
- Evaluate chemicals against lab projects for necessary acquisition and quantities. Consider disposal of non-essential chemicals.
- Develop and document routine chemical handling, bulk dispensing procedures, storage and disposal procedures.
- Evaluate engineering controls (e.g., ventilation, chemical storage).
- Train affected employees on proper Chemical Hygiene Plan methods and techniques.
- Develop and document laboratory safety recordkeeping procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.

- Monitor or provide updates on regulatory changes and new developments.
- Complete fume hood/exhaust ventilation survey. Post results on hood.
- Review program and obtain school board approval at least annually.

Lead in School Drinking Water – (Minnesota Statutes, section 121A.335)

- Identify school district contact person(s) for lead in drinking water.
- Train affected employees.
- Implement the joint Minnesota Department of Health (MDH) and MDE “Reducing Lead in Drinking Water – A Technical Guidance and Model Plan for Minnesota’s Public Schools” or adopt an alternative plan (Minn. Stat. § 123B.595, subd. 2).
- If an alternate plan is developed locally, review written plan, as needed, and update at least annually.
- Survey each facility to determine the facility’s drinking water taps and fixtures. Note: Actual testing shall be identified as a separate project. Charter Schools may use Long-Term Facilities Maintenance (LTFM) revenue for lead testing.
- Conduct water sampling as provided for under MDH, MDE and U.S. EPA rules and guidelines.
- Ensure replacement faucets and hardware meet current National Sanitation Foundation (NSF) lead-free criteria. Note: **Lead remediation is not mandatory**. If faucets and hardware are replaced, LTFM revenue may be used for this purpose.
- Review updates on regulatory standards, reporting requirements and new developments.
- Maintain all compliance documentation.
- Provide all recordkeeping activities.

Lockout/Tagout

- Develop and implement a written management plan for lockout/tagout, encompassing OSHA standard 29 C.F.R. 1910.147.
- Identify school district contact person(s) for lockout/tagout.
- Review written plan, as needed, and update at least annually.
- Survey the facility to identify energy potential physical hazards that require lockout/tagout.
- Review current lockout/tagout procedures.
- Train affected employees on proper lockout/tagout methods and techniques.
- Identify and procure lockout/tagout locks, tags and other devices.
- Evaluate lockout/tagout recordkeeping products and procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Monitor or provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.

Machine Guarding

- Identify machine guarding contact person by name.
- Develop a written machine-guarding (shop) plan for each area where fixed machines are used.
- Safeguard shop equipment per machine shop and guarding best practices manual. Shop equipment not safeguarded should be scheduled for proper safeguarding or replaced.
- Provide and document annual training for affected employees. If you have questions about training, contact [Mike Wiegel](mailto:mjweigel@aol.com) (mjweigel@aol.com) (Metro ECSU).
- Maintain a written preventative maintenance program to machine guarding in proper repair and order developed.
- Provide power outage protection for all required equipment.

- Provide emergency stops for all required equipment.
- Provide proper guards for all equipment.
- Require safe work practice placards for all equipment.
- Color-code all equipment.
- Used good bid specification criteria for procurement of all future equipment.
- Identify a specific person, trained and certified, must be as the shop equipment coordinator to obtain health and safety funding.
- Provide non-slip surface by each piece of equipment.
- Secure fixed equipment to prevent walking or moving.
- Keep a log each of shop or area of employee and student accidents and injuries so that shop improvements can be determined. Corrective action as needed based on accident reports and near misses should be taken.
- Review the program with school board annually.

Mercury

(Note: The below listed physical items are not fundable under Health and Safety, only the management of this topic is fundable.)

Certain Mercury Use in Schools Prohibited.

Minnesota Statutes, section 121A.33, states that after December 31, 2007, schools (as defined in section 120A.22, subdivision 4), excluding home schools, shall not:

1. purchase or use elemental mercury for any purpose; and,
2. purchase or use an instrument of measurement that contains mercury, including, but not limited to, a thermometer, barometer, or sphygmomanometer, or a manometer containing mercury.

After December 31, 2009, a school shall not:

1. store elemental mercury for any purpose; and,
2. store an instrument of measurement that contains mercury, including, but not limited to, a thermometer, barometer, sphygmomanometer, or a manometer containing mercury.

This does not apply to thermostats for heating, ventilation, and air conditioning in the school.

OSHA Inspections

- Participate in OSHA review of facility and provide management activity for programs.
- Participate in MDE management assistance mock-OSHA review of facility and management programs. District response to this report is required.
- Work with third-party inspectors such as insurance groups.
- [View General Industry OSHA standards](http://www.osha.gov/) (<http://www.osha.gov/>). Choose **Regulations**.

Personal Protection Equipment

- Develop and implement written personal protective equipment plan, in compliance with 29 C.F.R. 1910.132-138. Specific organs targeted for protection are hands, feet and face.
- Identify school district contact person(s).
- Review written plan, as needed, and update (at least annually).

- District must survey the facility to identify unsafe, hazardous processes to hands, feet and face, per standards.
- Provide a written hazard assessment signed, dated, and specifying location of workplace evaluated.
- Perform initial and annual functional area training.
- Provide personal protective equipment as deemed appropriate for the identified hazards.
- Monitor usage, storage and maintenance practices of employees to ensure adequacy of program.
- Provide all recordkeeping activities and procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Review program and obtain school board approval at least annually.

Playground Safety

- Develop and implement written management plans for each playground.
- Identify school district contact person(s) for each playground.
- Conduct periodic site review and management plan and update at least annually.
- Present program review to school board at least annually.
- Conduct audit of district outdoor playground facilities for purpose of identifying equipment and site-related hazards referenced in the Consumer Products Safety Commission's (CSPC) current guidelines. See the [Consumer Product Safety Commission website](http://www.cpsc.gov) (<http://www.cpsc.gov>). Also, see ASTM F1487 "Standard Consumer Safety Performance Specification for Playground Equipment for Public Use."
- Develop, implement and maintain equipment maintenance checklists.
- For health and safety funding, inspection by National Recreation and Park Association "Certified Playground Safety Inspector" is required.
- Review updates on regulatory, guidance standards and new developments.
- Review program and obtain school board approval at least annually.

Radon – (Minnesota Statutes, 123B.571)

- Develop and implement a written management plan for radon identification and remediation.
- Identify school district contact person(s) for radon.
- Implement current U.S. EPA/MDH Radon Gas testing guidance criteria.
- Coordinate diagnostics and mitigation of elevated radon.
- Conduct radon sampling as provided for under MDH and U.S. EPA rules and guidelines.
- Review updates on regulatory standards, reporting requirements and new developments.
- Maintain all compliance documentation.
- Maintain documentation of testing.
- Develop and implement written recordkeeping procedures.
- Train affected employees.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Review program and obtain school board approval at least annually.

Respiratory Protection Standard

- Develop and implement a written management plan for respiratory protection, encompassing OSHA standard 29 C.F.R. 1910.134.
- Identify school district contact person(s) for respirator protection.
- Review written plan, as needed, and update at least annually.
- Evaluate, identify and document work practices that require respirator protection.
- Review current respiratory protection practices and procedures.

- Train respirator users on the provisions of the written respiratory protection program and on the respirators they use.
- Provide respirator fit test and pulmonary function tests for workers who wear respirators.
- Develop, document and monitor compliance with recordkeeping procedures.
- Respond to regulatory agency correspondence, guidelines and recommendations.
- Monitor or provide updates on regulatory changes and new developments.
- Review program and obtain school board approval at least annually.

Underground Storage Tanks (UST) and Above Ground Storage Tanks (AST)

- Develop and implement a written management plan for each UST and AST.
- Identify school district contact person(s) for each UST and AST.
- Ensure all USTs above 110 gallons and ASTs with a capacity of 500 gallons or more are MPCA-registered. The two instances above require notification to the MPCA. (Minn. Stat. § 116.48.)
- Ensure all AST installations which are used for combustible materials are reviewed by fire marshal.
- Develop and implement release detection (e.g., tightness testing) plans for all USTs including fuel oil.
- Conduct leak detection testing at frequent intervals for USTs if electronic monitors available.
- Produce and submit reports to agencies necessary for compliance (e.g., MPCA tank registration).
- Conduct periodic site review and management plan and update at least annually.
- Provide and maintain inventory control forms.
- Review program and obtain school board approval at least annually.

Welding, Cutting or Brazing

- Develop and implement a written management plan for welding, cutting or brazing encompassing OSHA standard 29 C.F.R. 1910.251-.255.
- Identify a responsible district contact person.
- Survey the district to identify job categories in which employees may be at risk to exposure.
- Contact OSHA as there are many requirements, referencing [welding, cutting or brazing](http://www.osha.gov/SLTC/weldingcuttingbrazing/index.html) (<http://www.osha.gov/SLTC/weldingcuttingbrazing/index.html>).
- Identify and implement safe work practices, including hot work permit/fire watch, health protection and ventilation.
- Provide annual training to affected employees.
- Provide adequate personal protective equipment.
- Maintain applicable recordkeeping.
- Provide a written program review, and update (at least annually).



[A](#) [B](#) [C](#) [D](#) [E](#) [F](#) [G](#) [H](#) [I](#) [J](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [W](#) [Z](#)

A

ADJOINING

In actual contact with another object (i.e., attached). Same as “Contiguous”.

AGENT

An individual/entity who transacts, represents, or manages business for another individual/entity. Permission is provided by the individual/entity being represented.

ASSIGNEE

Individual to whom a contract is assigned.

ASSIGNMENT

The manner by which a contract is transferred from one individual to another individual.

ASSIGNOR

An individual who transfers a contract to another individual.

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B

BUILD OUT

The construction or improvements of the interior of a space, including flooring, walls, finished plumbing, electrical work, etc.

BUILDING PERMIT

Written government permission to develop, renovate, or repair a building.

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C

CANCELLATION CLAUSE

A provision in a contract (e.g., lease) that confers the ability of one in the lease to terminate the party's obligations. The grounds and ability to cancel are usually specified in the lease.

CAPITAL IMPROVEMENT

Any major physical development or redevelopment to a property that extends the life of the property. Examples include upgrading the elevators, replacement of the roof, and renovations of the lobby.

CAPITALIZATION RATE (CAP RATE)

The value given to the property when the Net Operating Income (NOI) is divided by the current market value or sales price. A cap rate can be used as a rough indicator of how quickly an investment will pay for itself. The higher the cap rate, the better.

Example: A property has an NOI of \$1,000,000, and the price is \$1,000,000, the cap rate would be 10% ($\$1,000,000 / \$1,000,000 = 10\%$). Based on this calculation, you would see a return in 10 years.



CERTIFICATE OF OCCUPANCY (CO)

The government issues this official form, which states that the building is legally ready to be occupied.

CHATTEL

Household goods, including personal property such as lamps, desks, and chairs.

COMMON AREA MAINTENANCE (CAM)

This is the amount of additional rent charged to the tenant, in addition to the base rent, to maintain the common areas of the property shared by the tenants and from which all tenants benefit. Examples include: snow removal, outdoor lighting, parking lot sweeping, escalators, sidewalks, skyways, parking areas, insurance, property taxes, etc. Most often, this does not include any capital improvements that are made to the property.

COMMISSION SPLIT

An agreed upon division of commissions earned between a sales agent and sponsoring broker, or between the selling broker and listing broker.

Example: The seller of a \$ 1,500,000 building paid a \$75 ,000 commission at closing. The commission split was 50/50 between the listing and selling brokers. Each broker then split the fee received with the sales agent responsible for the sale, in accordance with each firm's commission split schedule.

CONTIGUOUS

Touching at some point or along a boundary.

CONTINGENCY

A requirement in a contract that must occur before that contract can be finalized.

CONTRACT

A legal agreement between entities that requires each to conduct (or refrain from conducting) certain activities. This document provides each party with a right that is enforceable under our judicial system.

COVENANTS

Wording found in deeds that limits/restricts the use to which a property may be put (e.g., no bars).

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D

DEED

A signed, written instrument that conveys title to real property.

DEED RESTRICTION

An imposed restriction in a deed that limits the use of the property. For example, a restriction could prohibit the sale of alcoholic beverages.

DEFAULT

Failure to fulfill a promise, discharge an obligation, or perform certain acts.

DELIVERY

Transfer something from one entity to another.

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E

EJECTMENT

Action to regain possession of real property. This is a last-ditch effort that is used when there is no relationship between landlord and tenant.

EMINENT DOMAIN

The government's right to condemn and acquire property for public use. The government must provide the owner fair compensation.

ENDORSEMENT

Signing one's name on the back of a check.

ESCROW

A written agreement among parties, requiring that certain property/funds be placed with a third party. The object in escrow is released to a designated entity upon completion of some specific occurrence.

ESTOPPEL CERTIFICATE

A legal instrument executed by the one taking out the mortgage (i.e., mortgagor). The owner of a property may require an individual leasing a property to sign an estoppel certificate, which verifies the major points (e.g., base rent, lease commencement and expiration) existing lease between the landlord and tenant.

EVICITION (ACTUAL)

Physical removal of a tenant either by law or force.

EVICITION (CONSTRUCTIVE)

The landlord or his agents disturb the tenant, rendering the leased space unfit for the tenant's previous use.

EVICITION (PROCEEDING)

A legal proceeding by the landlord to remove a tenant.

EXCLUSIVE AGENCY

An agreement in which one broker has exclusive rights to represent the owner or tenant. If another broker is used, both the original and actual broker are entitled to leasing commissions.

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F

FULL SERVICE LEASE

See Gross Lease

FIDUCIARY

A person who represents another on financial/property matters.

FIXTURES

Personal property so attached to the land or building (e.g., improvements) it is considered part of the real property.

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G

GRACE PERIOD

Additional time allowed to complete an action (e.g., make a payment) before a default or violation occurs.

GROSS LEASE

A lease of property whereby the landlord (i.e., lessor) pays for all property charges usually included in ownership. These charges can include utilities, taxes, and maintenance, among others.

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H

HARD MONEY LOAN

An asset-based loan in which a borrower receives funds that are secured by the value of a piece of real estate and often at a higher interest rate than a traditional commercial property loan. They are used for acquisitions, turnaround situations, foreclosures and bankruptcies.

HOLDOVER TENANT

A tenant who remains in possession of leased property after the lease term expiration.

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I

INCOMPETENT

An individual who is unable to handle his own affairs by reason of some medical condition (e.g., insanity, Alzheimer's).

INSTRUMENT

A written legal document created to secure the rights of the parties participating in the agreement.

IRREVOCABLE

Incapable of being altered, changed, or recalled.

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J

JOINT TENANCY

Ownership of real property by two or more individuals, each of whom has an undivided interest with the right of survivorship.

JUDGEMENT

A formal decision issued by a court relating to the specific claims and rights of the parties to an act or suit.

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L

LANDLORD

One who rents property to a tenant.



LEASE

A contract whereby the landlord grants the tenant the right to occupy defined space for a set period at a specific price (i.e., rent).

LEASEHOLD

The estate or interest a tenant has as stated in the tenant's lease.

LESSEE

An individual (i.e., tenant) to whom property is rented under a lease.

LESSOR

An individual (i.e. landlord) who rents property to a tenant via a lease.

LETTER OF INTENT

An informal, usually non-binding, agreement among parties indicating their serious desire to move forward with negotiations.

LISTING

An employment contract between principal and agent that authorizes the agent (such as a broker) to perform services for the principal and his property.

LOSS FACTOR

What percentage of the gross area of a space is lost due to walls, elevator, etc. Rule of thumb in Manhattan is approximately 15%.

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M

MANDATORY

A requirement that must be conformed to as specified in any written document.

MARKET PRICE

The actual selling or leasing price of a property.

MARKET VALUE

The expected price that a property should bring if exposed for lease in the open market for a reasonable period of time and with market savvy landlords and tenants.

MEETING OF THE MINDS

When all individuals to a contract agree to the substance and terms of that contract.

MINOR

A person under a legal age, usually under 18 years old.

MULTIPLE LISTING

An arrangement among Real Estate Board of Exchange Members, whereby each broker presents the broker's listings to the attention of the other members so that if a lease results, the commission is divided between the broker bringing the listing and the broker making the lease.

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N

NET LEASE

Also called triple net lease. The lessee pays not only a fixed rental charge but also expenses on the rented property, including maintenance.

Example: Super Saver Markets enters into a triple-net lease. They are to pay for all the taxes, utilities, insurance, repairs, janitorial services, and license fees; any debt service and the landlord's income taxes are the responsibility of the landlord.

NON-DISTURBANCE AGREEMENT

The tenant signs this to prevent himself from being evicted if the property owner does not pay its mortgage to the bank.

NOTARY PUBLIC

A public officer who is authorized to witness and verify certain documents (e.g., contracts, deeds, mortgages). Also, an affidavit may be sworn before this public officer.

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O

OBLIGEE

The person who will receive the outcome of an obligation.

OBLIGOR

An individual who has engaged to perform an obligation to another person (i.e., obligee).

OPEN LISTING

A listing given to any broker without liability to compensate any broker except the one who first secures a buyer who is ready, willing, and able to meet the terms of the listing, or secures the acceptance by the landlord of a satisfactory offer; the lease of the property automatically terminates the listing.

OPTION

A right given to purchase or lease a property upon specified terms within a specified time. If the right is not exercised, the option holder is not subject to liability for damages. If the holder of the option exercises it, the grantor of option must perform the option's requirements.

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P

PERCENTAGE LEASE

A lease of property in which the rent is based upon the percentage of the sales volume made on the specific premises. There is usually a clause for a minimum rent as well.

PERSONAL PROPERTY

Any property which is not real property. Examples include furniture, clothing, and artwork.

POWER OF ATTORNEY

A written instrument duly signed and executed by an individual which authorizes an agent to act on his behalf to the extent indicated in the document.



PRINCIPAL

The employer (e.g., landlord) of an agent or broker. This is the agent's or broker's client.

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Q

QUIET ENJOYMENT

The right of an landlord or tenant to use the property without disturbances.

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R

REAL ESTATE BOARD

An organization whose members consist primarily of real estate professionals such as brokers.

REAL ESTATE SYNDICATE

When partners (either with or without unlimited liability) form a partnership to participate in a real estate venture.

REAL PROPERTY

Land and any capital improvements (e.g., buildings) erected on the property.

REALTOR

A coined word which may only be used by an active member of a local real estate board, affiliated with the National Association of Real Estate Boards.

RENT

Compensation from tenant to landlord for the use of real estate.

RESTRICTION

A restriction, often specified in the deed, on the use of property.

REVOCATION

An act of rescinding power previously authorized.

RULE OF THUMB

A common or ubiquitous benchmark. For example, it is often assumed that each worker in an office will need approximately 250 square feet of space.

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S

SITUS

The location of a property.

SPECIFIC PERFORMANCE

When a court requires a defendant to carry out the terms of an agreement or contract.

SQUARE FEET

The usual method by which rental space is defined. It is the area of that space, calculated by taking length times width. For example, a room 30 feet by 60 feet has an area of 1,800 square feet.



STATUTE

A law established by an act of a legislature.

STATUTE OF FRAUDS

State law (founded on ancient English law) which requires that contracts must be reduced to written form if it is to be enforced by law.

STATUTE OF LIMITATIONS

A law barring all right of redress after a certain period of time from the moment when a cause of action first arises.

SUBAGENT

An agent of an individual already acting as an agent of a principal.

SUBLETTING

The leasing of space from one tenant to another tenant.

SUBSCRIBING WITNESS

The witness to the execution of an instrument who has written his name as proof of seeing such execution.

SURRENDER

The cancellation of a lease by mutual consent of the tenant and the landlord.

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T

TENANCY AT WILL

A license to occupy or use lands and buildings at the will of the landlord.

TENANCY BY THE ENTIRETY

An estate which exists only between husband and wife. Each has equal right of enjoyment and possession during their joint lives, and each has the right of survivorship.

TENANT IMPROVEMENTS

Work done on the interior of a space, can be paid for by landlord, tenant, or some combination of both, depending on the terms of the lease.

TENANCY IN COMMON

Ownership of property by two or more individuals, each of whom has an undivided interest, without the right of survivorship.

TENANTS AT SUFFERANCE

An individual who comes to possess land via lawful title and keeps it in perpetuity without any title.

TIE-IN ARRANGEMENT

A contract where one transaction depends upon another transaction.

TORT

A wrongful act or violation of a legal right for which a civil action will lie.



TRIPLE NET LEASE

A lease requiring tenants to pay all utilities, insurance, taxes, and maintenance costs.

Example: Super Saver Markets enters into a triple-net lease. They are to pay for all the taxes, utilities, insurance, repairs, janitorial services, and license fees; any debt service and the landlord's income taxes are the responsibility of the landlord.

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U

URBAN PROPERTY

Property in a city or a high-density area.

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V

VALID

A binding situation that is authorized and enforceable by law.

VALUATION

Estimated price, value, or worth. Also, the act of identifying a property's worth via an appraisal.

VARIANCE

Government authorization to use or develop a property in a manner which is not permitted by the applicable zoning regulations.

VIOLATION

Act, condition, or deed that violates the permissible use of property.

VOID

Something that is unenforceable.

VOIDABLE

A situation which is capable of being unenforceable but is not so unless direct action is taken.

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W

WAIVER

The intentional relinquishment or abandonment of a specific claim, privilege, or right.

WORK LETTER

An amount of money that a landlord agrees to spend on the construction of the interior of a space per the lease, usually negotiated.

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Z

ZONE

An area, delineated by a governmental authority, which is authorized for and limited to specific uses.

ZONING ORDINANCE

A law by a local governmental authority (e.g., city or county) that sets the parameters for which the property may be put to use.

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MN Comeback thanks Robin Toewe of IFF and Tyler Baier for helping assemble this guide, as well as Kate Barr and Phil Hatlie of Propel Nonprofits, Sheilah Kavaney of Great MN Schools, and Sean Elder of TenSquare for providing us with feedback on the guide's content.