

NOVEMBER 2015

# A PARTNERSHIP TO UPLIFT AURORA'S TEEN PARENTS:

NEW LEGACY CHARTER SCHOOL + THE URBAN LAND CONSERVANCY

BY ALAN GOTTLIEB



WITH SUPPORT FROM:



COLORADO LEAGUE of  
CHARTER SCHOOLS  
*Charter Schools are Public Schools*



**URBAN LAND CONSERVANCY INTERVENES IN THE REAL ESTATE MARKETPLACE ON BEHALF OF THE COMMUNITY TO:**

- **RESPOND TO OPPORTUNITIES THAT WOULD OTHERWISE BE LOST TO THE MARKET OR THAT THE MARKET MAY BE UNABLE TO ADDRESS; AND,**
- **ACQUIRE, DEVELOP, AND PRESERVE COMMUNITY ASSETS IN URBAN AREAS TO ADDRESS A VARIETY OF COMMUNITY NEEDS, SUCH AS SCHOOLS, AFFORDABLE HOUSING, AND OFFICE SPACE FOR NONPROFITS.**

**THE MISSION OF NEW LEGACY CHARTER SCHOOL IS TO OFFER YOUNG PARENTS A RIGOROUS, RELEVANT, AND ENGAGING EDUCATION SO THEY ARE EMPOWERED WITH THE SKILLS NEEDED TO RAISE HEALTHY CHILDREN AND GRADUATE PREPARED FOR SUCCESS IN COLLEGE AND CAREERS.**

Thank you to the New Legacy Charter School for providing pictures for this report.

Report design by Aimee Martinez

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Original Vacant Bowling Alley



## INTRODUCTION

A visit Jennifer Douglas paid to a Montrose, Colorado charter school for teen parents and their young children over a decade ago planted the seeds for what would become the New Legacy Charter School, opening in Aurora, Colorado in August 2015.

That the school opened at all, and in a new facility custom-built for New Legacy, seems a minor miracle when one considers how many twists and turns the project endured before Douglas found Urban Land Conservancy (ULC) and the seeds finally bore fruit. The challenges of charter authorizing and fundraising seemed mere speed bumps compared to the far more vexing obstacle of finding a physical home for the school. Ultimately, it took Douglas's extraordinary leadership skills, ULC's creative thinking and willingness to take risks, and the community-centered approach of locally owned Citywide Banks to bring the project to fruition.

How the pieces of the New Legacy project fell into place makes for a compelling story. It provides a clear illustration of just how difficult it is for new charter schools to find a home, and how desperately the charter sector needs a more sensible and sustainable facilities solution if it is to continue to grow and thrive in Colorado.



“I APPRECIATE NEW LEGACY BECAUSE I GET A SECOND CHANCE AT MY DREAM.”

– NEW LEGACY STUDENT

## SECTION 1: THE SCHOOL AND ITS LEADER

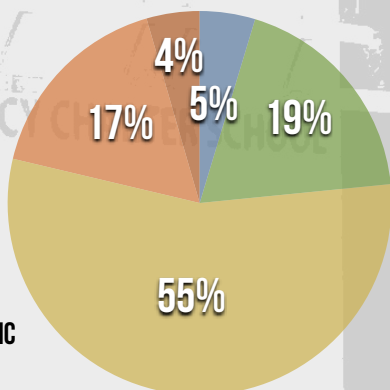
For New Legacy, it all started in the early 2000s, when Douglas, who at the time worked as Colorado League of Charter Schools' the Accountability Program Director, visited the Passage Charter School in the Western Slope town of Montrose. Passage opened in 1998, and provides parenting teens, male and female alike, a way to work toward their high school diploma. It does this by providing an individualized curriculum for the teens, along with parenting classes, and, probably most important, an on-site daycare center for their children ages 0-5. "I fell in love with it," Douglas said on a late winter afternoon, sitting in a stuffy trailer on the New Legacy construction site. "I saw motivated and resilient students who thrived when the right supports were offered to them." She knew then that someday she would like to run a school modeled closely on Passage.

Douglas left the League in 2003 to help launch Denver's Highline Academy Charter School. She wrote the charter, was a founding board member, and then worked there for two years. With a two-year old and a second child on the way, the demands of her assistant principal job became too great. So Douglas exited the working world for a spell and then returned to the charter league in 2007. She remained there until 2013, working first as director of operations and then director of new school development. All that time, the Passage program in Montrose stayed stuck in her mind, an indelible image. Douglas also drew inspiration from Florence Crittenton Services, a Denver institution founded in 1893, originally as a home for young, poor, single women. It was founded by Charles Crittenton, a Protestant evangelist and philanthropist who founded similar programs in cities across the

# KEY FACTS ABOUT AURORA PUBLIC SCHOOLS

IN THE FOUR ZIP CODES THE SCHOOL SERVES (80010, 80011, 80012, AND 80239), THERE WERE 357 TEEN BIRTHS (AGES 14 - 18) OVER THE PAST TWO YEARS FOR WHICH THERE IS DATA THROUGH CDPHE (2013 AND 2014).

2014-15 APS  
DEMOGRAPHICS



- ASIAN
- BLACK
- HISPANIC
- WHITE
- TWO OR MORE RACES

**LESS THAN 50% OF APS STUDENTS ARE AT GRADE LEVEL**

**60% OF GIRLS AND 51% OF BOYS GRADUATE FROM APS HIGH SCHOOLS ON TIME**

**4.7% OF STUDENTS BETWEEN 6-12TH GRADE DROP OUT OF SCHOOL PER YEAR IN APS**

**71% STUDENTS RECEIVE FREE OR REDUCED LUNCH**

**36% OF STUDENTS ARE ENGLISH LANGUAGE LEARNERS**



Below picture:  
Passage Charter School



country, in memory of his daughter Florence, who died at age four of scarlet fever.

Florence Crittenton High School for teen mothers opened in 1981 to help students continue their education and earn credits toward a high school diploma, learn about child development, build parenting skills, and gain access to other resources to raise healthy families. Today the school provides a middle school and high school curriculum for 240 teen mothers each year, and offers an on-site learning center for the babies of the teen mothers who attend the school. The school, located in west Denver, has run as a partnership between the nonprofit Florence Crittenton Services and Denver Public Schools since the school's inception. Mile High United Way also helps fund school readiness, youth success, and adult self-sufficiency components of the Florence Crittenton program, contributing a total of 5 percent of the organization's annual revenue.

Douglas said she has worked with Suzanne Banning, Florence Crittenton's CEO, and high school principal Dr. Shirley Algiene, to learn how the organization's programs operate. While Douglas is emulating many of Florence Crittenton's programs, she pointed to several elements of New Legacy's approach that will be different. Most notably, she said, while Florence Crittenton High School serves only females, New Legacy is open to both male and female teen parents. Florence Crittenton uses the Denver Public Schools curriculum, New Legacy has its own, aligned with the Colorado Academic Standards. And while Florence

Crittenton follows the DPS academic calendar, New Legacy operates in academic blocks, each of which runs six to seven weeks. This, Douglas said, offers incoming students "more frequent points of entry."

From the days she saw the Passage school, Douglas knew she wanted to build something similar, but closer to her east Denver home. With the blessing of the League's leadership, she began in 2013 working on a charter proposal inspired by Passage. Soon she became so engrossed in the plan that she realized she needed to work on it full-time. She secured a small grant from the Denver-based Donnell-Kay Foundation, which allowed her to leave the League in April of that year to dedicate all of her time for four months crafting the proposal. What emerged was a plan that Ethan Hemming, executive director of the Charter School Institute, New Legacy's authorizer, called "one of the highest rated charter applications we've ever received." He said the educational program detailed in the proposal, combined with the strength of the school's leadership made approval by the CSI Board very low risk. In fact, Hemming said, the only issue that gave the Institute board any pause was New Legacy's lack of a facility. But the board's confidence in Douglas, her experience, and leadership skills allayed those concerns.

## KEY POINTS FROM DOUGLAS'S PROPOSAL:

- New Legacy fulfills its mission by “providing an excellent academic program, relentless support, and parenting education. The foundation for this work is a flexible structure designed to accommodate a diverse group of students’ needs and a positive school culture based on student leadership, personal relationships, high expectations, and celebration.”
- The target population is student parents ages 14 to 21, male and female, who live in four zip codes (three in northwest Aurora, one in far northeast Denver) with among the highest teen pregnancy rates in the Denver metro area. In fact, 17 percent of all live births to teen mothers in the five-county metro area in 2012-13 were to teens living in the four zip codes the school will primarily serve. In addition to humanities and math and science courses, New Legacy’s academic program features health and wellness, parenting and child development, and art.
- Upon enrolling, each student works with an advisor to craft an Individual Graduation Plan, based on what the student needs to graduate college-ready.
- The school bases its culture on developing students as leaders: “Leaders of their lives with a positive vision for their future, leaders in their families, leaders in the school, and ultimately, leaders in their communities.”
- New Legacy’s Early Learning Center serves the children, ages six weeks to five years, of the charter’s high school students.
- The center also “serves as a learning lab where (teen parents) learn about healthy child development and positive parenting and then work in collaboration with the ELC teachers in the classrooms.”



## SECTION 2: CHARTER AUTHORIZING

The proposal's strength and thoroughness won it unanimous approval in late 2013 from both the Charter School Institute (CSI), which is empowered to authorize charter schools across the state, and the Aurora Public Schools (APS) Board of Education. New Legacy's board decided to execute a charter contract with the Institute rather than APS because the Institute's terms were better, and made more financial sense for the school.

According to Douglas, New Legacy might have chosen authorization through APS had the district been able or willing to offer New Legacy a facility to offset the significant facilities expenses in the budget. But APS leaders said they had no vacant facilities available.

Douglas said that Aurora offered funding only at the base per pupil operating revenue amount of an estimated \$7,053 per student in year one. And the district then intended to charge the school for special education services, at a cost to New Legacy of \$739 per pupil. By contrast, CSI could offer, in addition the \$7,053 per student in per pupil operating revenue in year one, roughly \$3,000 per eligible student in state and federal special education funding, as well as Title I funds for all students who were low-income enough to qualify for free and reduced-cost lunches -- between 75 and 85 percent of the student body. Title I funds would bring in an additional \$20,000-\$25,000 per year.

Under Colorado law, APS has sole chartering authority but can relinquish that right on a case by case basis.

"CSI offered a stronger package, so we had to make a case to Aurora to let us go with (the Institute)," Douglas said. "The only way APS as a chartering authority would have worked for us financially is if they had provided a free or low-cost facility." And in the fall of 2013, "APS wasn't prepared or able to do that. As a small start-up school, our board determined that we needed every single dollar we could access," Douglas said.

Van Schoales, CEO of A+ Denver, an education advocacy group that has recently begun focusing some of its research on APS, said it's little surprise that New Legacy decided to look elsewhere for a chartering partner.

He says, "The main problem is that the (Aurora) district has not been proactive, as other districts have been, on seeking out high quality options, like charter schools and other models, for their most impoverished kids. Because of APS's seeming indifference, it isn't surprising that a promising charter like New Legacy decided to turn to the Charter School Institute." Continuing on he states, "Aurora arguably has greater challenges than Denver Public Schools, so its passivity contrasted to Denver's approach is surprising. The lack of interest in supporting a school like New Legacy, which clearly will provide a huge benefit to the community and the district, is just the latest example."

"AS A SMALL START-UP SCHOOL, OUR BOARD DETERMINED THAT WE NEEDED EVERY SINGLE DOLLAR WE COULD ACCESS."  
-JENNIFER DOUGLAS





Aurora Superintendent Rico Munn rejected that argument. "The Colorado Charter School Institute is an independent entity from Aurora Public Schools," Munn said. "New Legacy leaders and partners determined that an affiliation with CSI would be more financially advantageous than a relationship with APS. New Legacy made a formal request to sever its relationship with APS, a decision that the district chose to respect.

"While APS continues to work with New Legacy leadership to establish a partnership which serves this community, APS does not spend taxpayer dollars to support independent entities. Regardless, we value New Legacy, and the opportunities it is creating for our community."

The child care center serves families with children aging from 6 weeks to 5 years, with a priority of serving the children of the parenting teens attending New Legacy Charter School.



### SECTIONS 3: ORIGINAL AURORA + HARD TRUTHS

Jennifer Douglas knew where she wanted to locate New Legacy Charter School: in a neighborhood known as Original Aurora, specifically the 80010 zip code, abutting northeast Denver and the new Stapleton neighborhood. This zip code had significantly higher than average rates of teen pregnancy. While the city of Aurora, now over 154 square miles, has grown to become the third largest city in Colorado, Original Aurora is the city's historic downtown, platted as a township in the 1880's due east of Denver's Capitol Hill. Today large swaths of Original Aurora are blighted, and have seen little if any development

activity over the past few decades, even as the Stapleton redevelopment has sprung up to its north: 7.5 square miles of an old airport remade into an award-winning new community, the largest urban in-fill redevelopment in the country.

Original Aurora is a working-class neighborhood roughly bounded by Yosemite Street to the west, Peoria Street to the east, Sixth Avenue to the south and East 26<sup>th</sup> Avenue to the north. From the northern edge of Original Aurora, the large new, pricey homes of Denver's still-spreading Stapleton neighborhood rise up in the near distance. In many places there's a buffer of neglect with empty, weedy lots demarcating Original Aurora's northern frontier from the southern boundary of Stapleton.

At the beginning of 2015, the median home sales price in Stapleton was \$424,400 (it has since climbed to \$436,000, according to the real estate website Trulia). In Original Aurora, the median sales price for that same period was \$160,000. Roughly 70 percent of the homes and apartments in Original Aurora were built between 1950 and 1979, according to a 2013 study conducted by the Colorado School of Public Health. Small, single-story frame houses dominate the area's quiet side streets. Some have lovingly tended small yards, while other yards are strewn with tall weeds and trash. Low-slung duplexes and triplexes are interspersed with the single-family homes. And every few blocks, low-rise, brick apartment complexes of 1960s vintage occupy most or all of a block, surrounded by cracked and pitted asphalt parking lots.

A WEEKEND DUFFER COULD DRIVE A GOLF BALL FROM ORIGINAL AURORA INTO STAPLETON. YET, THE TWO COMMUNITIES MIGHT AS WELL EXIST IN DIFFERENT GALAXIES.

Data from the Piton Foundation and other sources speak to the daunting challenges of the neighborhood, and illustrates why New Legacy and ULC are drawn to the area. Here are just a few:

- The maternal mortality rate in Original Aurora is 24.3 per 10,000, compared to 6.7 per 10,000 in Colorado as a whole.
- More than one-third of the adult population of Original Aurora lacks a high school diploma. Statewide, that figure is 10 percent.
- Half (49.8 percent) of the families with young children in Original Aurora live in poverty, compared to 15.6 percent in the state.
- In 2012, there were 160 births to teen mothers in Original Aurora per 1,000 live births. The statewide figure is 70 per 1,000.

In late 2013, Douglas started looking for properties in Original Aurora. She quickly discovered that while there were plenty of places available to lease, they all needed a great deal of work, and even so, the prices were surprisingly high. The biggest challenge she faced was finding a facility that could house not only a high school but an early childhood learning center. Building and fire code regulations are stringent for facilities housing infants, toddlers and preschoolers, and it took little time for Douglas to realize that the cost of bringing up to code any of the facilities she looked at would be prohibitive.

Conventional financing for renovations was proving hard to come by, and because she was negotiating with private-sector landlords, philanthropic foundations balked at providing grants for renovations to leased properties, since this would amount to lining those landlord's pockets with foundation funds.



As the Charter School Institute's Hemming put it, among property owners marketing to charter schools, "you'd think there would be a shame factor. But many of them seem immune to shame. It seems like making a huge profit is the main concern, and no one really cares about the school and its mission."

Exacerbating that challenge, many charter school boards lack expertise in real estate, and enter into bad leases or buildings in poor condition, because they are under time and financial pressures to secure a facility, Hemming said. Fortunately, this wasn't the case with New Legacy's board.



#### **SECTION 4: ENTER URBAN LAND CONSERVANCY (ULC)**

Douglas's big break in finding a facility for New Legacy came in the first weeks of 2014, when Lisa Montagu, an investment director with Gary Community Investments/The Piton Foundation, suggested that she reach out to the Aurora Human Rights Center, a nonprofit collaborative that was seeking Original Aurora office space.

The human rights center was working with Megan Devenport, a ULC employee who runs Denver Shared Spaces, a joint project of ULC and the Office of Strategic Partnerships of the City and County of Denver. Denver Shared Spaces, as described on its website, "develops intentional, effective shared workspace, provides targeted technical assistance, access to expertise, and advocacy for a resource and policy environment that supports and utilizes shared spaces."

Devenport knew that some of the properties New Legacy had looked at were larger than the high school and early learning center needed. She thought that perhaps the school could share space with the Aurora Human Rights Center. This, she reasoned, could simultaneously fulfill the needs of both organizations. Most importantly, it could bring down the cost of space for both.

But for the project to work from Denver Shared Spaces' perspective both New Legacy and the human rights center would have to embrace the mission of Devenport's organization: to share space not just as joint tenants, but to cross-pollinate their missions and learnings and enter into a mutually beneficial, genuinely shared working experience.

Devenport performed what she called a Partnership Readiness Assessment of both organizations. What she learned in that process was that New Legacy was ready to enter a partnership, but wasn't necessarily a good fit with the Aurora Human Rights Center. Douglas began to focus her attention on buying an abandoned shopping center on Del Mar Parkway just south of Original Aurora, between East 10th Avenue and East 11th Avenue. It was located on a major bus route, and the main 20,000 square foot space, to be vacated by a church, was exactly the size New Legacy

The maternal mortality rate in Original Aurora is 24.3 per 10,000, four times more than Colorado as a whole.

needed. A couple of existing businesses, including a meat market, could remain on site, she figured. Once Devenport determined that New Legacy's would be a sole tenancy, she introduced Douglas to the staff of Urban Land Conservancy. ULC preserves land and buildings in urban areas to enrich neighborhoods and preserve community assets for future generations. Additional to its creation and partnership of Denver Shared Spaces, ULC has developed a \$65M community development portfolio. Debra Bustos, ULC's vice president of real estate, visited the Del Mar site with Douglas. She didn't much like what she saw.

"My opinion was that it would take a lot of money for it to be functional as a school," Bustos recalled. There were other problems as well. The seller was asking too much for the property, in Bustos' estimation. What's more, "it was a funky place for a school. It felt very cold to me, not ideal for students," Bustos said. Then Bustos had another idea. For years, ULC had been eyeing a nearby property, an abandoned bowling alley at 2091 Dayton Street, just off Montview Boulevard.



Denver Shared Spaces is a unique collaborative with ULC and the Denver Office of Strategic Partnerships which ensures that Denver Metro is home to a dynamic network of effective shared space centers through programs that Create, Improve, and Champion shared spaces. [www.denversharedspaces.org](http://www.denversharedspaces.org)



## SECTION 5: RENOVATION OR NEW CONSTRUCTION?

ULC had looked at the bowling alley property as early as 2009, Bustos recalled, but couldn't figure out how to craft a deal that made financial sense. An adjacent bank building that fronted on busy Montview Boulevard initially seemed more promising. Bustos said ULC liked the bank building's potential as a "multi-tenant nonprofit center" for a number of Aurora-based organizations ULC had been working with. Bustos went so far as to put the bank building under contract with ULC in February of 2009. Ultimately, due diligence revealed environmental issues that the owner was not willing to negotiate on. So the deal fell apart in May 2009.

As New Legacy negotiations for the shopping center stalled, Bustos started thinking again about the bowling alley, but now with the school in mind. The bowling alley had remained on the market since 2009, with no apparent activity, and the time seemed right for ULC to inquire about it again.

This was still very early in 2014, and Bustos knew that at that point Douglas and her board were still hoping to open the school in the fall of 2014. Although she saw the bowling alley as a good fit for the school, she also recognized that the renovations would have to be extensive to convert the building to school uses.

"When you think of how a bowling alley is laid out, all the concessions and the bathrooms are up in the front," she said. "That means all the plumbing is up front too, and it would all have to be moved." Making such extensive renovations meant it wouldn't be possible to open until the start of the 2015-16 school year.

Douglas and her board had reluctantly come to a similar conclusion. Douglas initially proposed to open the school at the start of the 2014-15 school year. But the New Legacy board, anxious about the challenge of finding a suitable facility, decided in March 2014 that the opening would have to be delayed until the following school year.

The decision to delay New Legacy's opening until August 2015 posed no major problems for the Charter School Institute board, Ethan Hemming said, though he himself wondered if the school would ever open, given this facility obstacle.

"I didn't know what hope there was. But Jennifer was very persistent," Hemming said. "Everything she has done has been quality, so our board was willing to take much more of a risk with her" than might have been the case with another charter operator.

Once the timing pressure was off, New Legacy and ULC ramped up their pursuit of the bowling alley. Ironically, days before ULC made its inquiry, someone else swooped in and placed an offer on the property. ULC had been prepared to offer \$650,000; this new prospective buyer was offering \$675,000. The property owner, a church group, told Bustos that if ULC would match that offer, the building would be theirs. "They said they liked our purpose better," Bustos said.

So on May 27, 2014, ULC entered into a contract to buy the bowling alley for \$675,000. Though it clearly needed massive renovations to function as a high school and early childhood center, Bustos believed it could work well. During the due diligence process everything checked out. The seller had already completed required asbestos abatement and the surveys and inspections raised no major red flags.

Bustos and the project contractor, JHL Constructors Inc, concluded that it would in fact be possible to retrofit the building with the needed utilities in the proper locations. But then other challenges emerged. The partners would have to figure out the best place for an outside play area. The building's walls, Bustos said, needed "a certain structural integrity they lacked" to be deemed fit for a school under the Uniform Building Code. Still, she and the contractor concluded, none of these obstacles were deal-killers.

As Aaron Miripol, ULC's President, described his thinking at the time: "Our goal at the outset was to buy and renovate the bowling alley. That's the right way to go about it, because how do you afford the costs of new construction?" Then, after a pause, Miripol concluded: "Unless, of course, you're building a daycare and high school in one building."

## Bowling Alley Demolition



"Everything she has done has been quality, so our board was willing to take much more of a risk with her."

-Ethan Hemming,  
Executive Director  
of Charter School  
Institute

## SECTION 6: WHAT MAKES A GOOD SCHOOL BUILDING?

The bowling alley also raised questions in Miripol's mind about what kind of facility best suits a school. Over the years, charter schools have shoehorned themselves into some woefully inadequate buildings: storefronts in strip malls, church basements, warehouses. In one case in Denver, a charter school made its home for a couple of years in a dingy old Veterans of Foreign Wars hall that, despite repeated deep cleanings, never quite lost the lingering odors of spilled beer and cigarette smoke. Charter schools often find themselves in a "beggars can't be choosers" frame of mind when seeking a facility, and as a result settle for less than perhaps they should. Among education professionals and architects who specialize in school design, there's broad consensus about what constitutes a good school building.

The most important elements include:

- Natural light. Students don't learn as effectively in those "open classroom," windowless monstrosities that were all the rage in the 1970s. Any list of best practices for school construction includes abundant natural light, through windows and skylights.
- Flexible space. A building that "can accommodate a variety of teaching situations, from small group workshops to traditional classroom lessons to lecture-style presentations. Students will also be able to choose the places where they learn best. Some like to work individually, while others make faster progress when working as part of a small team" according to a 2013 report by the UK-based Promethean Education Strategy Group.
- Minimize wasted spaces like hallways and corridors. Strive to use every available inch for purposes directly related to student learning.
- Green design. Energy efficiency, including passive solar, is cost-efficient and delivers a good message.
- Acoustics are key to a healthy learning environment. Students who can't hear the teacher or one another aren't going to learn as effectively or efficiently. This may seem obvious, but a surprising number of school buildings – some designed as schools and some retrofitted – have shockingly bad acoustics.
- Safety. Ingress and egress must be controlled, so that students and staff can feel relaxed and focused in a secure-feeling environment. This does not mean installing metal detectors. It does mean arranging access so that every person entering or leaving the school comes into at least visual contact with a school employee.



As ULC and New Legacy examined the bowling alley property more closely, thinking about its adequacy as a school building began to shift. One New Legacy board member raised the issue of razing the bowling alley and erecting a new building, custom-made for New Legacy's unique purpose.

At that point, Bustos decided to tap the expertise of ULC's chief financial officer Rick Woodruff. He too concluded after reviewing the numbers that the building needed to come down. Now it was up to Woodruff to figure out how to make a new construction deal work. "Debra and Aaron felt it was worth the risk to make this happen," Woodruff said. "It's what our mission is."

"As we look more closely, differences in cost between rehab and demolition and rebuild weren't all that significant," Miripol said. "So ultimately we decided it made more sense to demolish the bowling alley."

ULC joined a conversation New Legacy had already begun with SLATERPAULL Architects. This resulted in a plan for the new school building that includes all the best practices listed above. The building will be filled with natural light. It will feature dedicated outdoor play areas for toddlers and infants. Well-designed traditional high school rooms will be complemented by smaller breakout rooms for individualized and small group learning. A flexible multipurpose room will allow students and their children to share meals. Finally, controlled access will support a secure environment to allow students to focus on learning.

The next obstacle ULC and New Legacy encountered was the appraisal. It originally came in lower than ULC had anticipated, according to Sarah Harman, ULC's project manager. But the appraiser had a tough job on his hands, Harman said.

Appraisers must base value on a recent sale of similar property. Because schools are not frequently bought and sold, it can be difficult to estimate value. "It is hard to find (local comparable properties) at all and especially with the hybrid use of a high school with an early childhood center," she said. Harman said, at only 23,000 square feet, New Legacy is very small compared to most high schools. The recent high school sales that the appraiser found were two to three times the size of New Legacy, buildings that were able to maximize economies of scale in construction costs. The value assigned to what the New Legacy school would be worth once it was completed would be critical to whether or not the construction loan could be underwritten.

"Appraisers have an easier time evaluating like properties, but when your property is unlike any other it can be very hard for the appraiser to get his or her mind around it," Harman said. So, reflecting the fact that almost half of the New Legacy school building provides infant, toddler, and preschool care, the bank issued revised instructions, asking the appraiser to also look at early learning centers, which are bought and sold more frequently than high schools.

"Although he found no other hybrid schools, by using a blended value of the two product types the appraiser was able to more accurately interpolate a 'like' product," Harman said. "And because child care centers have been selling at a higher per-square-foot price than high schools, this blended value raised the as-built valuation to a point that it better supported our construction costs and budget."

ON AVERAGE, FEWER THAN 2%  
OF TEEN MOTHERS ATTAIN A COLLEGE  
DEGREE BY AGE 30 NATIONALLY.<sup>1</sup>

1. The National Campaign to Prevent Teen and Unplanned Pregnancy. "Why it Matters." 2012. <https://thenationalcampaign.org/sites/default/files/resource-primary-download/childbearing-education-economicwellbeing.pdf>

## SECTION 7: CRAFTING A DEAL

To secure \$5.4 million in financing for construction of a new, 23,000 square-foot school building, several pieces had to fall into place, and key players had to exhibit a tolerance for calculated risk. The first key piece was a credit enhancement deal Douglas negotiated with the Charter School Development Corporation (CSDC). The deal provides ULC with a \$280,000 cushion, in the form of a deposit account at Citywide Bank, that ULC can draw upon in the event New Legacy finds itself unable to make rent payments. This, in turn, allows ULC to stay current on loan payments even if New Legacy falters. "Without the rent guarantee, we would not have been able to finance the new building," Woodruff said.

That's precisely why the Charter School Development Corporation wanted to get involved. "This was a scenario where ULC had not done this kind of (new construction) project before, and our involvement was additional validation for them in making this investment," said Laura Fiemann, CSDC's senior vice president.

The New Legacy project sat squarely in CSDC's wheelhouse. The \$150 million non-profit organization was founded in 1997. It is "focused exclusively on the facility and financing needs of charter school

\$48 million in credit enhancement for 104 charter school organizations in 24 states and the District of Columbia serving over 33,500 students.

In its earliest days, CSDC was an advocacy organization pushing for State and Federal funding for facilities, which was largely excluded from legislation. CSDC pushed for the inclusion of charter facilities costs in funding models, local mill levies and bond issues. However, Fiemann stated "That wasn't going to go anywhere politically. So we became an action organization by providing programs to help get facilities for schools."

Fiemann, who used to live in Colorado, knew Douglas from her days at both Highline Academy and the charter school league. So when Douglas approached her about credit enhancement for the New Legacy project, she already had a sense of comfort about the project leadership.

Armed with the credit enhancement deal, ULC had approached its longtime banking partner, Denver-based Citywide Banks. "They are a relationship bank as much as a real estate bank," ULC's Woodruff said. "You either have an asset-based lender, who wouldn't do a deal like this, or a relationship banker. And that's Citywide; a real community bank."



organizations, helping charter school entrepreneurs and leaders finance, build and expand their school facilities with the goal of ultimately improving student achievement by increasing school choice within the American public education system," according to the CSDC website.

Through its Building Block Fund, which the ULC/New Legacy project draws upon, CSDC has provided over

Chris Cerveny, a Citywide senior vice president, agreed that his bank is community-focused. "This bank always banks the individual, and Jennifer and Aaron are both good at what they do," he said. But, Cerveny was quick to add, he wouldn't have done this or any other ULC deal had it not served the bank well. "ULC is a good cause but at the end of the day it has to make financial sense.



At end of the day the bank examiners come in and I have to show I've been prudent," he said.

Citywide has had a mutually beneficial business relationship with ULC since 2009. So when Woodruff approached Cerveny with the New Legacy deal, the banker quickly expressed interest. "ULC doesn't get involved in projects that are unrealistic," he said. "They've done a good job taking a limited pot of money, turning it over and increasing it."

Cerveny acknowledged that the CSDC credit enhancement provided added inducement to move forward. "It's essentially a full year of lease payments. It makes us feel that if this thing fails you have a year to figure out what to do."

Woodruff described the loan negotiated with Citywide as a construction loan that "rolls into a mini-perm." The five-year, fixed rate financing deal Citywide provided includes a competitive rate structure which includes an interest rate ceiling to provide some protection against future rate increases. Cerveny explains, "Citywide Bank's loan structure helped make this project feasible. We were able to provide a financial package addressing ULC's needs due to the strong relationship we have with them coupled with ULC's sound management and financial strength."

If the Federal Reserve hikes interest rates, "we are protected," Woodruff said. He also explained that the blended-value appraisal came in lower than the actual cost of the project, leaving significant financing gaps to be filled by equity and other debt.

The remaining equity needed funds -- about \$900,000 -- came directly from ULC. That money will be tied up in the New Legacy project for at least five years. "We have equity tied up in multiple properties, but none has as much as this project does," Woodruff said. And those funds can't be leveraged for other community development projects in ULC's portfolio as long as they're committed to the New Legacy deal, he said. The additional debt needed for New Legacy's construction came in the form of a line of credit tied not to the school property but to ULC's balance sheet.

In April 2015, ULC was approved for a \$500,000 low-interest loan from the new Colorado Growth and Revitalization Fund (CGR), a partnership of Colorado Housing and Finance Authority, the City of Denver and the Colorado Enterprise Fund. This loan, will fund upon construction completion, will help ULC pay down the line of credit with lower-priced, fixed-rate CGR money, resulting in a savings of one point of interest over a five year term—equating to savings of \$5,000 a year.



Ribbon Cutting Celebration with Lt. Governor Joe Garcia

## SECTION 8: NEGOTIATING THE LEASE

The next question for ULC and New Legacy was how to craft a lease agreement that would be affordable to the school and allow ULC to service its debt on the property. The negotiations proved stressful and challenging at times, however; after 90 days, the parties agreed that the lease rate would be based upon five factors:

1. The total cost of the project;
2. How much New Legacy could raise philanthropically;
3. The loan interest rate;
4. The lease gives New Legacy the ability to purchase the building after the 5 year lease period.
5. ULC will put a 99 year ground lease in place if New Legacy purchases the building, ensuring ULC and the community's investment is preserved for generations.

"This felt really fair to us," Douglas said. Still, it meant the school would be entering into an agreement without knowing the exact leasing costs, because "all the variables weren't known" by December, yet ULC needed a signed lease before the end of the year for the bank financing and credit enhancement deals to fund construction. This caused some stress on the New Legacy board.

As Woodruff recalled it, the school's board had a hard time coping with the uncertainty. "They couldn't get their arms around it at first," he said. "'How do we know how much it will cost?' is what they kept asking."

And from the school's perspective, ULC staffers also

displayed understandable anxiety. Douglas said ULC had invested substantial time and money in the project "before the lease was signed, which made them nervous." Both sides felt they were assuming some risk, but Douglas said they also agreed that the parameters of the lease deal seemed fair to each entity.

Miripol states, "Adding the purchase option with the 99 year ground lease got everyone more comfortable with our long term partnership."

Douglas and her board committed to raising \$650,000 in capital grants from funders, about 10% of the total development costs. "The lease deal created an incentive for us to fundraise aggressively," she said. As of early May 2015, the school had raised \$645,000. If New Legacy were to fall short in its fundraising, as now appears highly unlikely, its rent would go up. If it exceeds the \$650,000, lease payments go down. Every \$50,000 short or extra causes a \$2,500 annual swing in rent payments. So if all the pending grants come through, and New Legacy raises \$750,000, the annual rent drops by \$5,000.

As it now stands (assuming New Legacy hits but does not exceed its fundraising goal), the first-year lease payment to ULC will total \$280,500. It increases to \$310,000 in year two, \$340,000 in year three, and then goes up 1.5 percent the following two years. As of the school's opening, New Legacy had raised \$645,000 for the construction. The school will cover the escalating rent costs with added per-pupil revenue as the school's enrollment climbs to its ceiling of 110 high school students.

Originally Douglas envisioned a school of 100 students, but for the finances to work, the board had to agree to add another 10 students. "Our question was will we fit in the building and will our staffing model work at 110? We decided the answer to both questions was yes," Douglas said.



"I HAVE BEEN AROUND NATIONAL CHARTER SCHOOL ISSUES FOR A LONG TIME AND I HAVE NEVER HEARD OF ANYTHING LIKE THE PARTNERSHIP NEW LEGACY HAS WITH ULC,"  
-TAISHYA ADAMS, CHAIR OF THE NEW LEGACY BOARD

## MOVING FORWARD

Hailstorms in May and floods in June put a small dent in the New Legacy construction schedule, but the school still opened on August 31, just a few days later than originally planned. "Eight months from demo to opening a new school building is amazing, and it took everyone from the architect, contractor, subs, funders, New Legacy and ULC to be on the same page to meet our very aggressive time line," Miripol said.

It hasn't always been easy to work through municipal permitting processes at a pace necessary to open the school on time. "We were touch and go in getting to the finish line on final inspections. Some inspectors threw up roadblocks that seem nonsensical when one considers that a school for teen parents and their infants is something the city desperately needs," said Brian Townsend, VP of JHL Constructors (ULC's contractor on the school).

Harman, does credit the project manager provided by Aurora's City Manager's office for being an invaluable resource in helping to navigate "compression points" between municipal process and the development. "At the end of the day having Mark Geyer involved up front with plan submittals through inspections helped us get the school open on time," Harman added.

Taishya Adams, chair of the New Legacy board and a longtime national charter school advocate, said she still marvels at the unique set of circumstances that have made Douglas's long ago dream just months from becoming reality.

"I have been around national charter school issues for a long time and I have never heard of anything like the partnership New Legacy has with ULC," Adams said. "By the fact that ULC owns the land, that it is in public trust, ULC and New Legacy's vision were just really integrated from the beginning."

Too often, Adams said, charters have to make painful compromises to secure a facility. "We always say

charters are public schools but the facilities piece forces us to go into private business and jeopardizes the integrity of what we are trying to do," she said. "But not in this case. We're just so grateful for ULC's leadership on this."

Still, ask people at and close to ULC, and while they're happy this deal has come to fruition, they're not convinced they'd look to it as a model for future charter school facilities challenges.

Tom Gougeon, president of the Gates Family Foundation, investor in New Legacy and a former ULC board member, said he doesn't see the New Legacy model as "scalable."

"New Legacy is only working because ULC is leaving a lot of equity in that building" for an extended period of time, he said. "The equity is just sitting in the building, so it is not scalable."

ULC President Aaron Miripol said it's hard to argue with Gougeon's point. It would be impossible for ULC to undertake more than one project at a time that requires so much of the organization's capital. Ultimately, Miripol said, ULC will realize about a 5 percent return on its investment. But it will take more than five years to see that return, he said.

"If there was at least a \$30 million fund in metro Denver that would lend of seven years at below 3 percent (interest), that would go a long way in creating a scalable, replicable model for school facility acquisition and construction." for charter school facilities, Miripol said.

There's a growing consensus among charter school advocates and funders in Colorado that such a fund is a good idea whose time has come. Metro Denver's lack of school facilities can only be addressed with new resources. ULC has completed a report, authored by Alan Gottlieb, that includes best-practices and recommendations for a successful new fund.

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