

A group of diverse young children are playing on a rope climbing structure in a schoolyard. The children are wearing various clothing, including school uniforms and casual wear. One child is hanging upside down, while others are climbing or standing on the ropes. The background shows a school building with large windows.

WALTON FAMILY
FOUNDATION

Building Equity Initiative

Year 3 Report



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Introduction

Across the country, every day, educators show up for their students. They work tirelessly — planning lessons, tutoring after school, opening doors, calling parents — to put children on a path to economic mobility and the American dream. For more than three decades, the Walton Family Foundation has worked to make it easier for teachers, principals and innovative leaders to serve the students, families and communities that need them most.



We know the barriers are numerous. But we also know that real estate shouldn't be one of them. Be it identifying an affordable building or renovating an existing space for expansion, school operators face a myriad of facilities challenges that stem from inequitable access to public funding, an intimidating array of financing options and limited technical expertise. By any measure the facilities challenge is broad in its scope and diverts resources away from the classrooms.

That is why in 2016, the Walton Family Foundation (WFF) launched the Building Equity Initiative (BEI), an unprecedented effort to make it easier and more affordable for public charter schools to find, secure and renovate facilities. To date, thousands of students in more than 100 schools are in new or renovated schools or have received facilities technical assistance with support from \$185 million in BEI funds.

As year three comes to a close, the big ideas funded by the BEI — the Equitable Facilities Fund, the Facilities Investment Fund, Spark Opportunity Grant Program and a network of expert technical assistance — are now delivering concrete solutions and community impact. Among the 2019 highlights:

- EFF made history with a first-of-its-kind public bond issue of \$111 million to provide high-credit, low-interest loans for charter school facilities;
- The broader financial marketplace is responding — from offering lower interest rates to incentivizing more first-time funders to lend to charter schools; and
- More than 140 schools applied to the Spark Opportunity Grant Program, seeking funding and support to bring high-quality schools to economically challenged communities.

Moving forward, we will measure success by the number of students able to attend high-quality public charter schools, the amount of new private capital invested in charter facilities and the improved willingness of the capital community to provide greater access to low-cost financing for charter school operators.

Helping educators alleviate facilities-related burdens requires significant resources and support from partners across the private, public and philanthropic sectors. We are grateful to our initial partners — Bank of America, Civic Builders, Charter Facility Solutions and Pacific Charter School Development — as well as our growing network of associates along with historic WFF partners as this initiative continues to expand its reach and impact.

Most of all, we are grateful to educators across the country whose vision and determination this initiative exists to support. We are proud to help make it easier for public charter schools to find, secure and finance permanent facilities, so school leaders can focus their time, resources and talent where it counts — students.



BEI by the Numbers

101
schools supported
by BEI resources

28,694
students who currently or will attend
school in facilities supported
by BEI resources

\$185,253,976
invested through the BEI

12,000,000
square feet of purchased or
renovated facilities supported
by BEI resources

\$28,902,569
anticipated savings by schools
thanks to BEI resources

\$250,440,365
in additional dollars invested by
other funders in public charter
school facilities

Equitable Facilities Fund

Equitable Facilities Fund: Bonding Together for Social Impact

Formerly named the Charter Impact Fund, the Equitable Facilities Fund changed its name in 2019 to underscore its guiding objective to empower high-performing charter schools with the capital and expertise required to secure permanent homes for their work.

The organization launched in 2018 with \$200 million in seed funding and big goals — for every \$1 in philanthropic seed capital, EFF would seek to raise \$3 from capital market investors to help more quality schools secure long-term, sustainable financing.

When EFF first announced its ambitious plans, there was enthusiasm but also uncertainty. Would traditional investors see the value in helping schools remove persistent barriers that hinder growth? Could EFF scale and sustain itself in the long run to amplify its impact?



Who: New and existing schools from operators with proven success

What: Resources to refinance existing loans, build new schools and expand existing schools

Key Criteria: Strong academic and operating performance, demand from local families, especially in high-needs communities

This year, EFF not only met but exceeded its lofty goals. After receiving an investment grade “A” rating from Standard & Poor’s, EFF’s first bond offering closed with the sale of over \$111 million in bonds, surpassing its initial target by \$11 million. Of particular note, a majority of these bond buyers were making their first substantial investment in charter schools.

With the improved interest rates offered by EFF to schools, more resources are now going where they belong — school classrooms. By mid-2020, EFF will have committed over \$200 million in low-cost, long-term loans to high-impact schools serving over 25,000 students.

EFF’s potential to scale and expand its impact may be its greatest asset. More bond issuances will follow, making more resources accessible to growing schools. And as the low-interest loans are repaid, those funds will be reused to support more schools.

For too long, charter school founders were forced to act as real estate agents, general contractors and bankers. Already with the progress made in 2019, the Equitable Facilities Fund is changing this reality — allowing educators to access quick, affordable resources to ensure students have the schools they deserve.

School and Student Impact

Blackstone Valley Prep Rhode Island

- 2,000 Students in Grades K-12
- 66% Free and Reduced Lunch
- 70% Students of Color

Project: Blackstone Valley Prep purchased the building they were previously renting.

Total savings: Blackstone Valley Prep will save an estimated \$1.8 million over 30 years.

“EFF provided us with the tools to refinance and purchase our high school, allowing us to take control of our own destiny and plow six figures back into the classroom annually versus that lease.”

— Jeremy Chiapetta, Chief Executive Officer

KIPP Nashville College Prep Elementary and Middle Schools

- 657 Students in Grades K-2, 5-8
- More than 85% Students of Color

Project: KIPP Nashville College Prep re-financed existing loans and renovated a facility to accommodate expanded enrollment.

Total savings: KIPP will save an estimated \$1.9 million over 30 years.

“The support from EFF has allowed us to spend about 8.5% of our state and local funding on the facility, compared to other charters across the country spending 12, 13, 14%. It has really opened up the opportunity to spend more on our teacher salaries, special education, ELL and curriculum development.”

— Dan Gennaoui, Chief Financial Officer

KIPP Bay Area California

KIPP Heritage Academy

- San Jose, CA
- 456 Students in Grades 5-8
 - 99% Students of Color
 - 72% Free and Reduced Lunch

KIPP Bridge Academy

- Oakland, CA
- 539 Students in Grades TK-8
 - 100% Students of Color
 - 78% Free and Reduced Lunch

Project: KIPP Bay Area reduced long-term costs for construction at KIPP Heritage Academy and KIPP Bridge Academy with EFF financing.

Money Saved: KIPP Bay Area will save an estimated \$4 million over 30 years.

“EFF understood our schools, and they understood our strategy. It was just so efficient. Ultimately, the terms allow us to borrow more money and invest in more of the safe, permanent, state-of-the-art facilities our students deserve.”

— Cory Harris, Managing Director of Finance

Facilities Investment Fund



Facilities Investment Fund: Changing the Charter Financing Equation

The Facilities Investment Fund, managed by Civic Builders and in partnership with Bank of America, helps educators find, secure and open more schools.

The FIF loan product delivers a flexible and affordable capital solution to charter schools and nonprofit charter developers. The program provides 5-year, low-cost, fixed-rate loans for renovation and new construction projects of up to \$20 million with special consideration for standalone schools and emerging charter operators. Ultimately, each FIF loan investment aims to lower facilities cost in order to maximize the resources — both time and energy — that education leaders can use to focus on their students, teachers and classrooms.

To date, \$58 million in FIF funding will enable an estimated 3,300 students to attend school in a state-of-the-art facility. An additional \$264 million in loans are in the pipeline for more than 25 projects to serve an estimated 11,700 students in 10 cities.

The FIF product is also inspiring commercial lenders and community development financial institutions to collaborate with charter school operators in new and innovative ways. Some of these institutions have

expanded their lending platforms to include new geographies, early-stage schools, and pre-construction and subordinate lending. These capital resources, combined with a FIF loan, provide a winning solution to schools.

Headed into 2020, the Facilities Investment Fund will expand its circle of impact, seeking new partners and working with dedicated educators to build inspiring schools and ensure that more children have access to high-quality education.

Who:	Small and emerging charter operators
What:	Resources to provide 5-year, low-cost, fixed-rate loans for new construction, acquisitions or renovations of up to \$20 million
Key Criteria:	Strong academic and operating performance, demand from local families, especially in high-needs communities

School and Student Impact

Resurgence Hall Atlanta, Georgia

- 505 Students in Grades K-8 expected upon full enrollment
- 75% Free and Reduced Lunch
- 100% Students of Color

Project: Resurgence Hall purchased and renovated a 55,000-square-foot vacant school building.

Money Saved: Resurgence Hall will save an estimated \$260,000 over five years.

“The depths that FIF went to make sure we found something we could afford while not impacting the educational program was incredible. Their commitment to caring about protecting teachers and children and finding a way to make it work is unmatched. FIF has secured our future for years to come.”

— Tori Jackson Hines, Head of School

Ascend Learning Brooklyn, New York

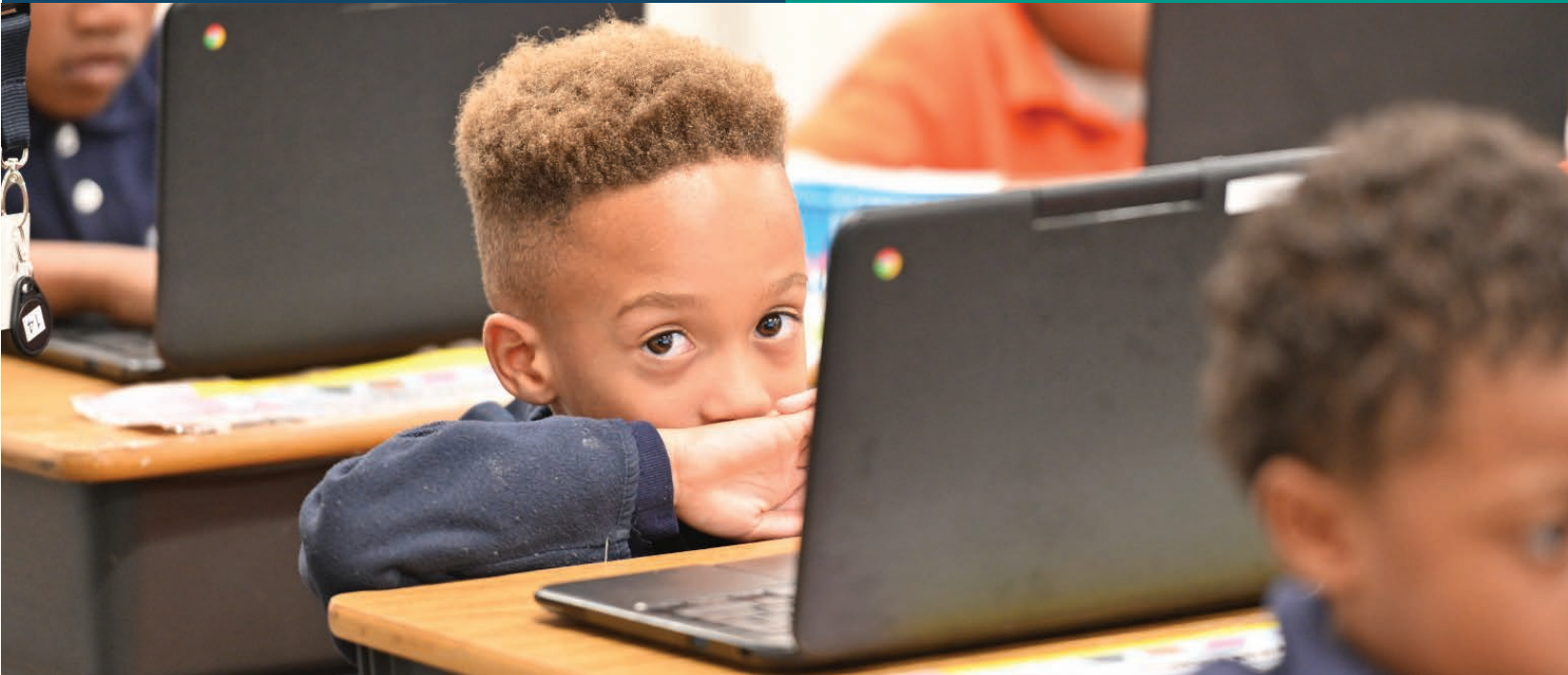
- 675 Students across two schools in Grades K-4 expected at full enrollment
- 84% Free or Reduced Lunch
- 97% Students of Color

Project: Friends of Ascend Learning acquired and renovated two school buildings in Brooklyn — East Brooklyn Ascend Charter School and East Flatbush Ascend Charter School, totaling 61,000 square feet.

Money Saved: Ascend Learning will save an estimated \$600,000 over five years.

“We need a financing partner who understands our challenges, the charter space and can act quickly and flexibly. The fund completed due diligence and underwriting in record time with astonishing efficiency and collaborative spirit.”

— Susan Pollock, President



Trusted Technical Assistance Partners



School leaders often play many roles — educators, mentors, coaches, advocates and even surrogate family members — to their students.

And as leaders set out to open or expand high-quality public charter schools, they must overcome a complex series of real estate, financial, construction and other technical obstacles.

Since 2016 the Building Equity Initiative, building on past WFF investments, has built a large, nationwide network of real estate experts, lenders, financiers, technical assistance providers and low-cost resources to help public charter schools navigate obstacles, finance and secure facilities. These support organizations offer expert counsel. But rather than traditional business ventures seeking to solely turn a profit or sell a piece of property, these entities are mission-aligned and seek to support schools as they strive to expand in a thoughtful, timely and affordable way for their students.

Today, between new BEI initiatives and existing WFF facilities partners, there exists a network of 13 national and regional organizations working across the country to provide facilities technical assistance. These organizations offer customized support ranging from identifying demand and performing landscape surveys to offering assistance in preparing project forecasts, developing budgets and timelines and highlighting capital sources.

Each partner is trusted and proven, with significant expertise in areas such as commercial real estate, loan financing and construction. The results of their contributions are quite meaningful: Local education leaders now have more time and resources to focus on building opportunity for their communities through great schools.

Fast Facts

The BEI has invested \$26 million in 13 trusted partners. As a network, the partners provide national coverage.

- Resource Network:
- Building Hope
 - Charter Facilities Solutions
 - Charter School Growth Fund
 - Charter School Development Corporation
 - Civic Builders
 - Equitable Facilities Fund
 - Excellent Education Development
 - Facilities Investment Fund
 - IFF
 - Level Field Partners
 - Local Initiatives Support Corporation
 - Pacific Charter School Development
 - SchoolPrint: Charter School Project Management

Network Spotlights

SchoolPrint: Charter School Project Management

SchoolPrint is offered at no cost to educators as they plan and develop their school facility projects. In addition to providing technical assistance directly to schools and acting as a central information resource, SchoolPrint seeks to support schools in understanding the universe of real estate-related service providers, both for-profit and non-profit, available in a given geography to help schools implement their facility plans. A program within LISC, SchoolPrint currently offers services for stakeholders in Kansas City, Missouri, and Washington, DC with plans to offer services in other cities.

“What’s been missing for many schools is an aggregated resource that assembles all the options, all the developers, all the lenders. Some schools are fortunate to have an infrastructure dedicated to these tasks. Most don’t, and it’s tough to know where to begin,” explains Eva Schweitzer, LISC finance director and SchoolPrint lead. “Our goal is to protect the interests of students and teachers and to fuel the development of schools that are assets to their communities.”

Level Field Partners

For Washington, DC-based Level Field Partners, providing equitable access to high-quality charter school facilities is in their professional DNA. The founders, professionals with backgrounds in charter school real estate development, finance and legal services, saw a need to leverage best-in-class commercial practices in order to deliver facilities in full mission alignment with charter operators.

Level Field Partners assists charter operators across the country with services that range from financial feasibility assessments to fully embedded project-focused staff augmentation. With support from the Building Equity Initiative, Level Field is growing their staff and expanding their reach, bringing their services to new cities, including Indianapolis, Memphis and Atlanta.

“Having worked as charter operators we know that every dollar saved goes right back into the classroom.” say co-founders David Endom and Alex Shawe, “And the fact is, if you can build a beautiful, high-quality space, it makes students feel more valued, it helps families make a long-term commitment to that school and it helps prepare them for what they might find at college. We take what we do seriously. This is not the sort of work that can be done at 85% proficiency. The long-term impact is too important.”

Building Hope

Building Hope was founded in 2003 with one goal in mind — to “improve the quality of education in the United States by building quality charter schools.” Today they serve as turnkey developers, project managers, lenders and technical assistance providers for charter operators from rural New York to urban Texas.

With support from the Building Equity Initiative, Building Hope offers a wide range of services to educators and schools across Florida and Texas through its Charter Support Unit (CSU) work. Staffed by experts in charter school facilities, financing and operations, the CSU provides short-term, intensive and targeted support for start-up and new charter schools. Additionally, the organization is creating digital resources and landscape analyses, budgeting targets and potential cost and other important data relevant to selecting school sites.

Through its ongoing work, Building Hope seeks to make school leaders as knowledgeable as possible about the facilities development process, says Robin Odland, president of Building Hope Finance. “A lot of financial players are incentivized to make transactions happen that aren’t always the best thing for the school. We step in on behalf of the schools as their real estate experts, so they can continue to do what they do best, which is educating people.”

Opportunity Zones



Opportunities Zones: The Next Frontier

Created by bipartisan efforts in Congress in 2017, Opportunity Zones are a national program to encourage long-term investments by Qualified Opportunity Funds in distressed communities (Opportunity Zones) and attract new sources of capital in support of projects located in these communities.

By the numbers, there are more than 8,700 federally designated Opportunity Zones that are home to nearly 35 million Americans and more than 13,530 schools. An Opportunity Zone designation does not guarantee that a community will receive investment. The community and community stakeholders still need to prioritize projects that have positive social benefit and investment potential.

The ability of education investments in Opportunity Zones to provide community-driven social and financial returns merits attention. In these communities, more than seven of every 10 students qualify for free or

reduced lunch and educational attainment is lower. The scale of the challenge presents us all with the chance to have real impact by exploring the role that high-quality charters can have in their neighborhoods by acting as anchor resources.

This work goes right to the heart of the Building Equity Initiative — making it easier for educators to find and secure facilities by attracting new and affordable sources of capital and helping ease the burden of financial and real estate tasks, so education leaders can focus on creating quality schools.

There are so many barriers facing educators in charter schools. Real estate shouldn't be one of them. Opportunity Zones are one more way to make it easier, faster and more affordable for charter schools to find and secure facilities, so leaders can focus their time, resources and expertise on a quality education and the economic mobility it makes possible for their students.

Spark Opportunity Grants

In Fall 2019, the Building Equity Initiative took another important step to alleviate the burdens associated with pursuing a permanent home for public charter schools. BEI announced a new partnership with the Local Initiative Support Corporation (LISC) to launch a \$2 million program to help an estimated 40 charter schools in some of the nation's most economically distressed communities with their facilities planning via technical assistance. With residents and partners, LISC works to create resilient and inclusive communities of opportunity across America — great places to live, work, visit, do business and raise families. Since 1979, LISC has invested \$20 billion to build or rehab 400,500 affordable homes and apartments and develop 66.8 million square feet of retail, community and educational space, including charter school facilities.

These resources, called Spark Opportunity Grants, will help leaders navigate facilities planning and the associated technical tasks — from analyzing the growth trajectory of their school to assessing real estate availability, understanding construction costs and formulating facility business plans. The grants of between \$25,000 and \$50,000 are available to charter schools of all sizes in all places that have a proven track record of success.



Grantee Spotlight

More than 140 applications were submitted, signaling a strong demand for additional support to address the tremendous financial cost and technical complexities of managing facilities unique to charter schools. These competitive grants were awarded to 26 schools based on an impact rubric that considered academic outcomes, population served, project affordability, Opportunity Zone locations and track record of community engagement. Grantees included:

DC Prep

Across five campuses, DC Prep serves 2,000 students in Washington, DC, 99% of whom identify as people of color and 80% of whom qualify for Free or Reduced Lunch. With a Spark Opportunity grant, DC Prep will begin planning for its sixth campus - Anacostia Middle Campus - to serve students in grades four through eight.

Compass Rose Academy

Compass Rose Academy serves more than 250 students in South San Antonio, Texas, 96% of whom identify as people of color and 89% of whom qualify for Free or Reduced Lunch. Compass Rose will be awarded \$50,000 toward its plans to open a high school campus for the 2021-22 school year. At full enrollment, the campus will serve an additional 470 students.

Frontier STEM High School

Frontier STEM High School serves more than 1,600 students in Kansas City, MO, 93% of whom identify as people of color and 100% of whom qualify for Free or Reduced Lunch. Frontier STEM High School will be awarded \$50,000 toward its plans to build a new campus that will better serve the needs of its growing student body of 1,500.

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