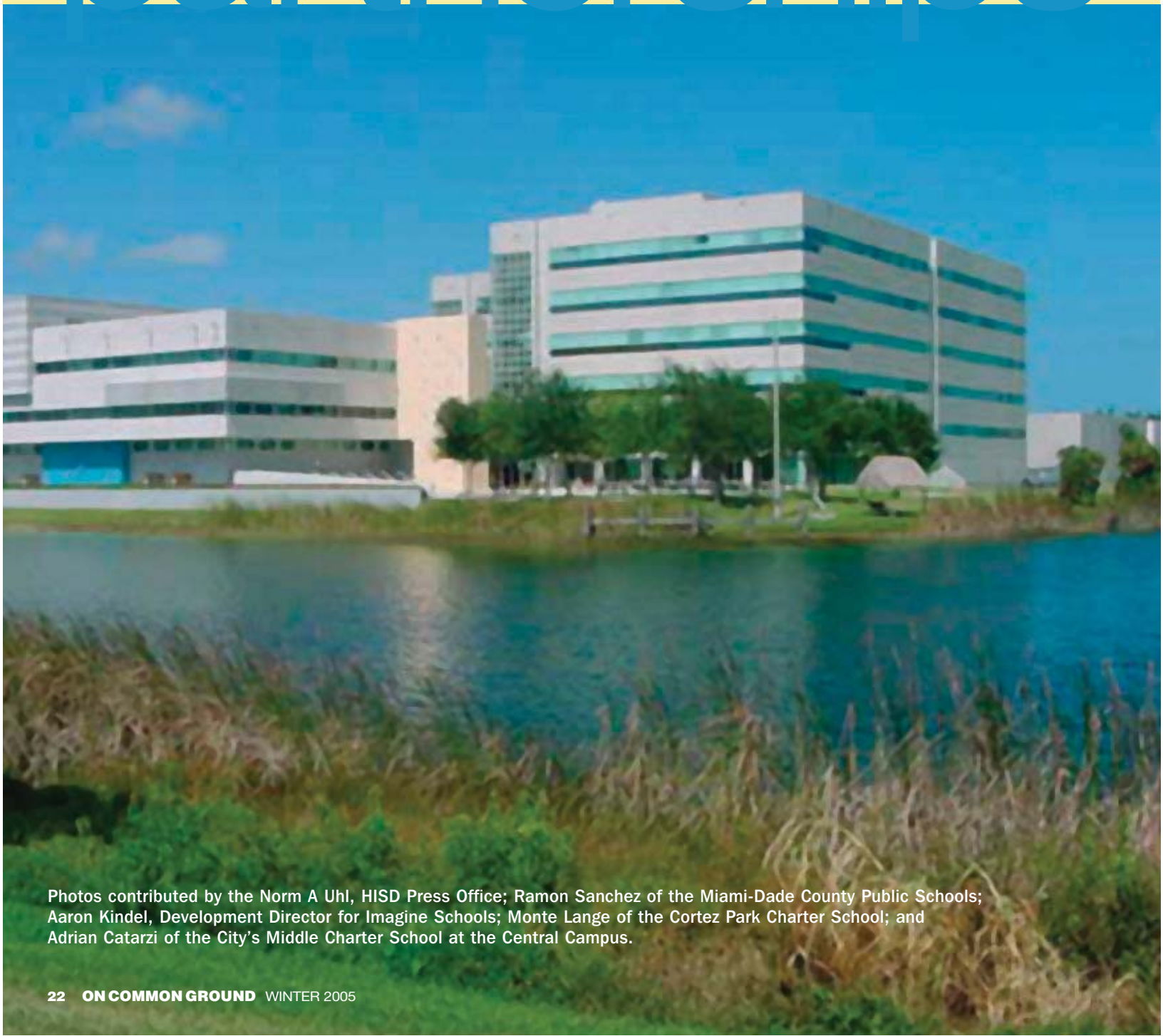


Many public-private partnerships, using Smart Growth fundamentals, are being formed to help ensure that school districts keep pace with population increases, development and parental demands.

smart partnerships



Photos contributed by the Norm A Uhl, HISD Press Office; Ramon Sanchez of the Miami-Dade County Public Schools; Aaron Kindel, Development Director for Imagine Schools; Monte Lange of the Cortez Park Charter School; and Adrian Catarzi of the City's Middle Charter School at the Central Campus.



construct smart schools

by Brad Broberg

When Hurricane Andrew blasted South Florida in 1992, Pembroke Pines and the rest of southwest Broward County escaped the horrific destruction the killer storm unleashed on much of neighboring Dade County. Even so, Andrew left his mark.

Thousands of devastated Dade County families, whose dwellings Andrew flattened, fled north to new homes in places like Pembroke Pines, where the greater distance from the coast offers greater security against the threat of future hurricanes.

As a result, the population of Pembroke Pines soared. Before Hurricane Andrew, Pembroke Pines was home to 65,000 people. Today, more than 150,000 peo-



ple live in the community approximately 20 miles northwest of Miami. "We had prepared for steady development over a long period of time [but] we more than doubled our population in a short time frame," said Charley Dodge, longtime city manager.

Slammed by whirlwind growth, Pembroke Pines faced pressure to provide public services—and do it fast—for the flood of new residents. The most pressing problem? The need to build more schools.

Traditionally, local school districts shoulder that burden. However, the Broward County School District was unprepared to meet the demand, said Dodge. "They did not plan or set aside land or have the capability," he said.

Minus Hurricane Andrew, the Pembroke Pines story is a familiar tale in high-growth states such as Florida, Arizona and California, where school district after school district struggles to keep up with development.

Less familiar—but gaining ground every day—is the approach Pembroke Pines took to provide the schools its residents needed.

Frustrated by the school district's inertia, the city of Pembroke Pines partnered with a private company, Haskell Educational Services, to build and operate its own elementary school under Florida's charter-school law. "We made the decision in December of 1997, broke ground in January of 1998 and opened in August," said Dodge.

Although the partnership has since ended, Pembroke Pines has opened six more schools serving 5,200 students in grades K-12. Not only

are the city's schools providing much-needed classrooms, their smaller size and high test scores make them extremely attractive to parents. "We have a waiting list of 11,000 students," said Dodge.

With local state and federal budgets stretched thin, public-private partnerships offer numerous advantages over the traditional approach to opening new schools, say proponents. Mainly, public-private partnerships can create schools faster and cheaper, eliminating the need to ask taxpayers to approve general-obligation bonds, to put projects out for bid or to abide by costly regulations governing public works. Plus the private partner has a powerful incentive—namely profits—to be as efficient as possible.

The Pembroke Pines model is one of many forms public-private partnerships are taking. They range from workplace satellite schools to lease-purchase agreements to developer-built schools—all of them supporting Smart Growth's goal of ensuring infrastructure keeps pace with development.

"Any method you can think of has been tried," said Alan Olkes, senior vice president with Imagine Schools in Coconut Grove, Florida, and the former superintendent of the Miami/Dade County School District.

In Washington, D.C., a national real estate company, LCOR, partnered with D.C. Public Schools to build a new elementary school. The school was financed with debt issued by the District of Columbia. The debt was backed by revenue from a 211-unit apartment building LCOR constructed on part of the school site given to LCOR as part of the partnership agreement, explained Lisa Snell, education director for the Reason Public Policy Institute in Los Angeles.

In California, residential developers can negotiate with school districts to spend school-impact fees directly on new school construction rather

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than sending the money through bureaucratic channels and waiting for the system to produce a school, said Snell. "The time savings is huge," she said.

Ron Utt, senior research fellow with the Washington, D.C.-based Heritage Foundation, has found that public-private partnerships can trim the cost of building a school by 30 percent and slash the time it takes to plan and open a facility from as many as five years to less than one. Even so, he warns that the push for such partnerships won't come from school boards. "It's not going to be the public sector promoting these things," he said. "It's going to be the private sector promoting these things ... to allow more growth to occur."

Three years ago, Congress passed a law intended to take public-private partnerships to a new level. The law allows qualified real estate investors/developers to issue private-activity bonds to finance school construction. By cutting financing costs, the tax-exempt bonds enable private investors/developers to build schools less expensively. And, because the investor/developer owns the school—at least for the length of the lease—it can rent out portions of the building when classes are not in session. As a result, the investor/developer can afford to lease the school to a school district for less than what the district would spend if it built the school itself. What's more, when the lease expires, the law gives the school district ownership of the school.

Unfortunately, the law hampers potential partnerships in two ways. First, it limits school construction involving private-activity bonds

to less than \$3 billion nationwide. Second, regulations written by the U.S. Treasury Department implementing the law forbid investors/developers from claiming any depreciation. As a result, says Utt, only a handful of schools have been built with private-activity bonds.

Even so, a few lease/purchase agreements are being executed. TurnKey Solutions is a Temecula, California, design/build contractor. "The company keeps construction costs low by using pre-approved plans to produce component-built schools in half the time and for 20 percent less than conventional construction," said Tony Vignieri, communications director. Those efficiencies make it possible for TurnKey to finance school construction in-house and lease the buildings to districts unable to foot the upfront bill. "It's a way out for school districts that are up against the wall," said Vignieri.



Another version of the lease/purchase approach involves finding a not-for-profit or government partner to issue the debt—something school districts generally cannot do without voter approval. Then the school district signs a lease-purchase agreement with the partner that enables the district to pay for the school over time without asking taxpayers to support a general obligation bond.

The Houston Independent School District took that approach to build two high schools. First, the city of Houston established tax increment reinvestment zones in the neighborhoods surrounding the two school sites. Then a public facilities corporation was set up. Based on lease payments from the school district—payments funded primarily by money col-

lected within the tax increment reinvestment zones—the public facilities corporation issued debt to build the schools and lease them to the district.

“It’s been a very good experience for as because it’s allowed us to build these two badly needed high schools on a pay-as-you go basis,” said Don Boehm, in-house finance attorney for the Houston Independent School District.

Charter schools and the companies that build and operate them are a popular vehicle for combining public dollars with private initiative to open schools faster—and often cheaper—than might otherwise occur.

As private businesses, charter-school companies are subject to far less red tape, said Doug Bouma, executive vice president of The Bouma Corp., a Michigan general contractor that builds schools for both public school systems and charter-school operators. “It’s a huge advantage when it comes to time and money,” he said. “There’s a night-and-day difference.”

Strictly speaking, charter schools may not reflect true public-private partnerships because local school districts only rarely participate as full partners. Yet charter schools do represent public money being spent on a private solution to a community problem. “Whether we like charter schools or not, they are the law in Florida ... and the fact that they are creating (classrooms) is viewed as a benefit overall,” said Michael Bell, assistant superintendent for School Choice/Parental Options with the Miami/Dade County School District.


While the process varies from state to state—and some states don’t allow charter schools at all—the basic concept is the same. A charter school proponent submits an application to that state’s particular governing authority. If the application is approved, the charter school’s proponents receive a fixed amount of public money per student to open and operate a school.

Charter-school proponents are frequently parents dissatisfied with the quality of their local school. However, in high-growth states, charter schools are frequently inspired by overcrowding.

Take Arizona, where Imagine Schools has been “following the growth,” says Nancy Hall, regional vice president with the company’s Phoenix office. “There’s just a real need in Arizona. They can’t put the traditional public schools up fast enough to take care of the growth.”

Imagine Schools is one of many companies that establish and/or operate charter schools. They act either on behalf of the school’s proponents or—as is the case with Imagine in Arizona—as the proponent itself.

In Arizona, Hall teams with a local REALTOR®, Rick Brandt, to track where new development is headed, conducts demographic studies of promising areas and then applies for approval to open a charter school. So far, Imagine has opened six schools that way, including one in a former furniture store and two in a former hardware store. Two additional schools will open next fall.



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Brandt, a broker, said charter schools respond much faster when attractive real estate opportunities arise. The public process "takes way too long," he said. "In this environment, that's a critical thing."

Another charter-school strategy is to partner with a developer from the get-go. A current example can be found in Lake County, Florida, where Imagine Schools is partnering with the developer of a large residential community. With no public school on the drawing board, the developer turned to Imagine Schools to satisfy the local planning authority's demand for a school. The school also will help the developer market the community, said Olkes.

Besides being a tool to support Smart Growth, charter schools can lead by opening schools in areas where the local school district can't justify building a new school but where development is desired. For example, the city of St. Louis is talking with Imagine Schools about opening a downtown charter school as part of a redevelopment initiative, said Olkes.

Workplace satellite schools are one more way the public and private sectors can team up to open schools. Although sometimes operated as charter schools, they are often a joint effort between school districts, which provide the teachers and curriculum, and large employers, which provide the facilities.

The Miami/Dade County School District opened its first workplace satellite school at the headquarters of American Bankers Assurance Group—now known as Assurance Solutions—in 1987. At one time, the district operated five such schools, but due to various circumstances beyond the district's control is now down to two schools; Assurance Solutions (K-5) and Mt. Sinai Hospital (K-2).



Such arrangements pay mutual dividends. The school district gains classroom space without having to build a new school while the employer gains a tremendous fringe benefit for its workers. In addition, productivity increases. Assurance Solutions' absentee rate lowered from 11 percent to 6 percent because parents had to come to work in order to get their kids to school. Plus it reduced its turnover rate, said Olkes, superintendent at Miami/Dade, when the Assurance Solutions' satellite school opened.

"Workplace schools are a wonderful thing," said Olkes. "It's great to see parents come and have lunch with their kids."

Brad Broberg is a Seattle-based freelance writer specializing in business and development issues. His work appears regularly in the Puget Sound Business Journal and the Seattle Daily Journal of Commerce.