FINANCING OPTIONS AVAILABLE TO CHARTER SCHOOLS

Any combinations of options can be used to meet a school’s need and realize the lowest cost of capital. Some options available in the current market are detailed below.

### TAX-EXEMPT BONDS

**Provides greater access to capital in difficult markets**

**Permanent financing**
- 30 to 35 year amortization; can refinance if economically advantageous

**Well-established market of investors**
- Mutual funds
- Money managers
- Insurance companies, etc.

**Fixed interest rate and repayment schedule**
- Can provide lower tax-exempt rates
- Interest rate is fixed for the term of the financing
- No refinance required

**Permissible uses:**
- Construction
- Land Acquisition
- Refinancing
- Improvements
- Equipment
- Reimbursements

### NEW MARKETS TAX CREDITS (NMTCs)

**Must be in a “qualifying area” defined by census track and poverty levels**

**Subsidized interest rate**
- Tax credit buyer gets “income” from claiming the tax credits, not from a market interest rate

**Equity accrues without payment of principal**
- A loan funded from the tax credits can be “forgiven” at the end of the seven-year tax compliance period
- 20-25% of the original debt may not have to be repaid

**Low debt service requirement**
- Interest-only debt service payments during seven-year “tax compliance” period (required by NMTC program)
- Portion of the loan must be refinanced in 7 years

**Flexible construction management**
- NMTC not subject to Davis-Bacon (prevailing wage) requirements

**Permissible uses (similar to tax-exempt bonds):**
- Construction
- Land Acquisition
- Refinancing
- Improvements
- Equipment
- Reimbursements

### OTHER CAPITAL SOURCES

**Bank Loans/Private Placements**
- Short- and intermediate financing
- 5-10 years, 20-30 year amortization
- Appropriate for newer or seasoned schools
- Interim construction usually possible
- Can be taxable or tax-exempt; if tax-exempt, issuance process similar to tax-exempt bonds

**Lease Purchase**
- Usually developer driven
- Newer schools possible
- Can be a viable source of permanent funding, though typically at a higher cost
- May include rent/lease escalators
- Purchase option due diligence required

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