



## NMTCs Help Expand Charter School, Revive Vacant Mall in Oklahoma City

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**T**he Crossroads Mall, which opened in the 1970s, was a major retail destination in Oklahoma City for decades. However, the 1 million-plus-square-foot shopping center has been sitting largely vacant for years. Now, the former Montgomery Ward store is being repurposed into a charter school: Santa Fe South High School.

Chris Brewster, superintendent and founding administrator at Santa Fe South Schools Inc., said that Oklahoma City wanted to rehabilitate and revive the Crossroads Mall in the city's Southside for years. "It took a very experienced team to get the job done," he said.

This revitalization effort was a joint venture between Santa Fe South Schools Inc. and Charter Schools Development Corporation (CSDC). CSDC is the owner and helped put together the capital stack, which includes new markets tax credits (NMTCs); completed the real estate development; and managed construction while Santa Fe South Schools Inc. will lease the space and operate the high school.

"The facility has been the target of a possible charter school location for many, many years," said Laura

Fiemann, senior vice president of CSDC. "But no one else could figure out how to make the economics work." Fiemann said the former mall's location makes it a great fit for a charter school. It is two minutes off the freeway with access to public transportation, she said.

CSDC is a nonprofit corporation and Community Development Financial Institution (CDFI). Fiemann said that CSDC has served 225 schools over its 20-year history. As a CDFI, CSDC has received \$40 million in NMTC allocation authority. "The tenant is a very strong charter school that has operated in the community for a long time," said Fiemann. "This is the next step in their expansion."

Santa Fe South Schools Inc. is a very experienced charter school in Oklahoma City. It was founded in 2001 with 120 ninth-grade students and seven staff members. Once Santa Fe South High School is complete, the organization will boast seven locations, serving approximately 3,000 students from pre-kindergarten through high school, with nearly 240 full-time staff members.

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While the charter school continues to grow, it can't seem to keep up with demand. "The need is obvious. We can't keep up with our waiting list," said Brewster. "The Southside is a growing area. It has a continued need for quality schools." Santa Fe South Schools Inc. is doing its best to meet that need. It added 400 students in 2016 and 600 students the year before that.

This most recent expansion will allow the charter school to add an additional 600 students: 300 in the high school and 300 in its pre-kindergarten through eighth-grade classes. That's because the high school's move to the new facility creates openings in the charter's other locations, said Brewster. The high school will have the capacity to serve 1,000 students.

The Southside of Oklahoma City is a low-income area with predominantly Hispanic residents. The high school's population mimics that: 96 percent of the student population is Hispanic and other minorities, said Brewster. Of the Hispanic students, Brewster said almost all are English language learners. And 94 percent of the student body qualifies for free and reduced lunch.

Fiemann said that CSDC purchased the two-story, 157,000-square-foot former Montgomery Ward store at about \$12 per square foot. The building sits on about 14 acres now owned by CSDC.

Santa Fe South High School will occupy the first floor of this building and the second floor will be leased by two other charter schools: KIPP Oklahoma City and Epic Charter Schools. KIPP operates a middle school on the city's northeast side. EPIC Charter Schools combine online learning with face-to-face instruction.

Santa Fe South High School will feature 45 classrooms, including traditional classrooms, science labs, art studios, music rooms for band and choir, a cafeteria and a kitchen. While there is no gymnasium yet, there will be soon. In addition, CSDC and Santa Fe South

Schools are in negotiations with an adjacent car parts warehouse to have the warehouse donate its parking lot to the school, which would convert it into athletic space. The high school has robust soccer and cross country programs.

While this development will include no new construction, it was a gut rehabilitation. "Everything is brand new, including the HVAC system, electrical systems, interior lighting; everything but the shell," said Brewster. The rehabilitation began in January and will be completed in July, in time for the new school year.

## Charter Schools Development Corporation's Impact



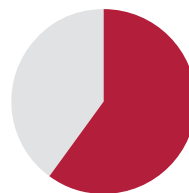
**225**

schools served by CSDC over its 20-year history



**\$40M**

allocation of new markets tax credits received by CSDC



**60%**

minimum percent of CSDC clients that serve low-income student populations

Sources: Charter Schools Development Corporation (CSDC), Novogradac & Company LLP

### Financing

U.S. Bancorp Community Development Corporation (USBCDC) provided the \$3.3 million NMTC equity investment. Landon Nalley, project manager at USBCDC, said relationships played a big role in why this development is so successful. USBCDC has worked

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with New Markets Redevelopment (NMR, the sole community development entity) and recently closed on another charter school with CSDC. “The area needed a better education option,” said Nalley. “It fit the purpose of the NMTC program and met all of our investment criteria. ... Without the NMTC financing there would be a huge funding gap for the school.” Because this development creates jobs and helps kids, Nalley said, “it is what the NMTC program was designed to do.”

NMR provided the \$10 million NMTC allocation. Debbie Whitacre, senior vice president of NMR, said that there was a real need for a charter school in the area as the public schools have very low test scores. “The impact on the kids in the area is huge,” Whitacre said. She also liked this development because NMR had not invested in a charter school before. Whitacre said this new high school had a further impact on Santa Fe South Schools Inc. When Santa Fe South Schools moves its high school to this location, it will allow the organization to expand its kindergarten through eighth-grade services.

“Charter schools often struggle with funding for facilities,” said Chuck Wiggin, president of NMR. He said the NMTCs filled the gap in the capital stack and made this development feasible. “Santa Fe South Schools Inc. has a great track record of delivering excellent academic outcomes to students from low-income families,” said Wiggin.

Clearinghouse CDFI provided the \$6.6 million upper-tier leverage loan. “Santa Fe South Schools Inc. serves low-income students in a distressed and underserved area,” said Chris McMartin, underwriting manager at Clearinghouse CDFI. “Clearinghouse CDFI’s loan will help the school expand its enrollment and positively impact the community. This is critical for our goals

as a mission-based lender.” McMartin said this was Clearinghouse’s second NMTC source loan provided to a CSDC entity in 2016. “CSDC has been a wonderful partner and provided expertise and financial backing to both projects,” McMartin said.

Other funding included two \$500,000 donations; one from the Inasmuch Foundation and one from the Walton Family Foundation. Wiggin said the support of these foundations was clear evidence of the high regard accorded to Santa Fe South Schools Inc. CSDC provided a \$1 million sponsor loan and \$100,000 in equity.

“What a great use of the New Markets Tax Credit program,” said Brad Elphick, partner in the Atlanta office of Novogradac & Company LLP. He also mentioned how impressed he was with the efficiency with which all of the parties worked together to make sure this project closed in a timely manner, including the financial projections prepared by his team. “Not only did this development allow a charter school to expand its services in an economically distressed community, but it also repurposed a vacant building in the process.” ❖

### Santa Fe South High School

#### FINANCING

- ◆ \$10 million new markets tax credit (NMTC) allocation from New Markets Redevelopment (NMR)
- ◆ \$6.6 million upper-tier leverage loan from Clearinghouse CDFI
- ◆ \$3.3 million NMTC equity investment from U.S. Bancorp Community Development Corporation (USBCDC)
- ◆ \$1 million sponsor loan from CSDC
- ◆ \$500,000 donation from the Inasmuch Foundation
- ◆ \$500,000 donation from the Walton Family Foundation
- ◆ \$100,000 in equity from CSDC

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