



WellChoice:
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gains Page 3

Vol. XX, No. 47 www.crainny.com

Nov. 24-30, 2003 Price: \$3.00

REAL ESTATE

Charter school's finance plan serves as instructive model

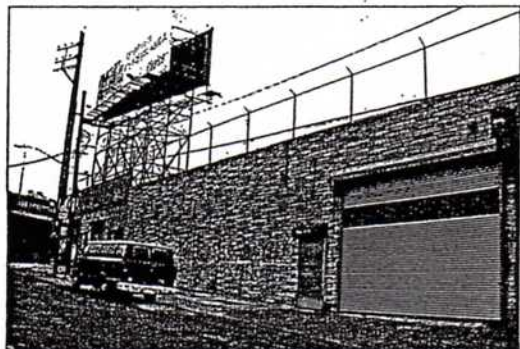
Hunts Point facility turns to nonprofit developer to convert former factory

BY JACQUELINE S. GOLD

MOST OF THE 30 CHARTER schools in New York City either buy their own buildings, lease space commercially, or operate in facilities run by the Department of Education. Bronx Charter School for the Arts is blazing a different path.

The school's using another nonprofit to buy and design a building on its behalf. Its \$4.7 million deal—which will turn a former kosher salami factory into a school for 280 children in kindergarten through sixth grade—is expected to become an important model as the city creates 50 more of the small, specialized and highly autonomous charter schools over the next five years.

Originally, the parents and educators behind Bronx Charter School for the Arts thought they could buy a building on their own. But "when we looked at our business plan, we found it had a major flaw: We did not have a really wealthy person in-



BUILDING 101: The 24,000-square-foot building that will become the Bronx Charter School of the Arts most recently was a grocery food distributorship.

involved," says Xanthe Jory, the school's executive director.

That's when the group turned to Civic Builders Inc., a nonprofit developer with a long and impressive track record advising other New York City charter schools on their real estate transactions.

With the developer on board, the hunt for a suitable location began. But when Ms. Jory finally found one, it was hardly love at first sight.

After looking at 40 different properties in the South Bronx, she found herself continually circling back to an old food warehouse in the Hunts Point section, which had started life as the home of Zion kosher salami back in the 1930s.

It wasn't an architectural gem. But the site, at 950-954 Longfellow Ave., was in the right place. The 24,000-square-foot building—which most recently served as a Korean grocery food distributorship—sat on a quiet, dead-end street. It was across from a bakery and on the edge of where Hunts Point morphs from the largest food market in the world into a poor black and Hispanic neighborhood struggling to become working class.

Community addition

Seventy percent of the children enrolled in the charter school come from Hunts Point, so it was critical to find a home in the community. The neighborhood's population is surging, and the local public elementary school already operates at 130% of capacity.

When it became clear that the Bronx Charter School for the Arts could not afford the \$1.4 million it would cost to buy the factory, let alone another \$3.3 million for the

necessary renovations, Civic Builders cobbled together the financing from four different lenders. Civic Builders bought the factory and began demolition for the redesign two weeks ago. It will rent the site to the Bronx Charter School for the Arts for \$21 per square foot over a 20-year lease.

The school, which is now being housed at a junior high in another part of the Bronx, expects to open at the site in September 2004. The Bronx Charter School hopes to buy the renovated building from Civic Builders three years from now.

Complicated deal

Because so little cash was involved, the deal took myriad participants and nine months to put together. The disparate parties included the building's Korean owner, Lee and Giant Food Corp.; its broker, Joel Feinberg; Bank of America Corp., which provided most of the financing via a \$3.3 million loan; and the National Council of La Raza, a national community development organization that is active in Hispanic neighborhoods.

The lenders had to be particularly patient and creative to find a way to make it work. A typical charter school will borrow perhaps half of the total value of the building it will eventually inhabit. The Bronx Charter School for the Arts has a loan-to-value ratio of at least 85%.

Given that dicey structure, "working out the terms with everybody was extraordinarily complex," says David Umansky, executive director of Civic Builders. "But I expect the second time we do a charter school financing like this, it will be much easier than the first." ■

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