



THE

HIGHMARK QUARTERLY

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The Winter Edition



Ethics & Integrity

Discipline

Empowerment & Accountability

Quality

Teamwork

Agility

CEO's Message



2015 has been an extraordinary year for HighMark School Development. Our organization continues to experience growth and we now operate in 14 states. In addition to adding new staff, we've also benefited from the help of numerous partners and consultants throughout the country. In the past 6 months, HighMark and EPR Properties hosted events at both the NAPCS and NACSA Conferences. Our interaction at these events has reinforced my belief that our company's mission and vision are being realized. Authorizers and school operators are becoming more familiar with our development approach and commitment to excellence.

Our company **vision statement** reads, "HighMark will be recognized as the premier developer of school facilities in the United States. We will seek to partner with schools that are well positioned for growth, demonstrate strong and consistent academic performance, and exhibit solid and effective board governance." One indication we are moving in the right direction occurred last month. Patrick Beausoleil, VP Business Development, was quoted in the Wall Street Journal and referenced as a subject expert in school facility development. An even greater measure is the number of schools that have referred us to others. For me, this is the ultimate compliment and best reflection that our progress isn't compromising how we get things done.

We've been fortunate to establish a great portfolio of schools and have great partnerships that are helping us to grow. Our continued focus on the company mission will ensure the best is yet to come!

Mission Statement - HighMark School Development will drive educational excellence by developing world-class educational facility solutions while exceeding the expectations of our clients, investors, partners and associates.

Glenn Hileman

BASIS Independent Brooklyn



BUILDING MAINTENANCE: Winterization

The cold months are here and that means your building needs a little extra love and care. We are providing you with a list of areas to check in your building right now. This list is compiled from damages resulting in insurance claims over the years. Do your part to make sure the students in your building are safe whether they're inside or outside of the building.

- Exterior windows are sealed properly so no outside water can enter building
- Water heaters have new filters and have been serviced
- Keep building heated even when empty for break to prevent frozen pipes
- Playground equipment has a solid barrier from the road and any sliding cars

Go the extra mile to keep everyone safe during this time of year.

Questions about building maintenance? Email questions and reports to Kelsy@highmarkschools.com

Charter-School Movement Grows—for Real-Estate Investors

The Wall Street Journal
By: Peter Grant
October 13, 2015

Real-estate investors are showing an increasing interest in charter school development as the demand grows for classroom seats and some state and local governments become more willing to help finance charter-school projects.

Almost all charter schools are operated by nonprofit organizations. But these groups often rent and buy their buildings from private real-estate developers, and that is creating a new niche asset for some investors.

One of the latest entrants to the charter real-estate business is Northstar Commercial Partners, a Denver-based private-equity firm that is raising a \$100 million fund. It will focus on converting charter schools out of vacant office, industrial and retail properties that can be purchased for less than half of what they would cost to build, according to Northstar Chief Executive Brian Watson.

Meanwhile, investment manager Bobby Turner, who founded Turner Impact Capital LLC

School Spotlight

HighMark has a portfolio full of successful schools. Many of our assets have long wait lists to attend due to high academic performance, challenging curriculum, successful athletics, and dedicated leadership. The following three schools are being recognized for their successes beyond the classroom.

Pacific Heritage Academy was awarded a KaBOOM Playground grant in the late spring. The school raised \$10,000 and had over 190 volunteer builders and 34 children put together their new playground in just one day.

Loveland Classical Schools received one of 40 State Farm Neighborhood Assist grants of \$25,000. The school put that money towards their school lunch program. The school has not had a hot lunch program in their four years of operations and now has the funds to provide lunches inside their own walls.

BelovED Community Charter School was named a Let's Move Active Schools National Award Winner for the second year in a row. The physical activity promotion program recognizes schools that meet or exceed all federal physical activity and nutritional guidelines. In 2015, there were only 535 schools nationwide to earn this honor.



Pacific Heritage Academy
Utah



Loveland Classical School
Colorado



BelovED Community Charter School
New Jersey

www.highmarkschools.com

in 2013, is raising his second fund with tennis legend Andre Agassi for building new charter schools, this one with a goal of \$400 million.

And established players in the business are seeing volume increases on chart school developments. For example, a venture of HighMark School Development and EPR Properties, a real-estate investment trust, spent more than \$118 million in 2014 on acquisition, renovation and construction, compared with \$34 million in 2011.

“There’s no shortage of cash,” said Patrick Beausoleil, a HighMark vice president.

The rise in investment activity partly reflects the growth of the charter school movement, which has been overcoming political opposition in many states. During the 2014-2015 school year, 500 new public charter schools opened nationwide, for a total of more than 6,700 enrolling about 2.9 million students, according to the National Alliance for Public Charter Schools.

Some states are beginning to make financing tools available to charter schools that had been limited to traditional public schools. For example, the states of Texas, Colorado and Utah now backstop tax exempt bond issues for some charter schools, reducing their capital costs when acquiring facilities, according to Scott Rolfs, managing director of B.C. Ziegler & Co., a niche investment-banking firm that has underwritten more than \$600 million in charter school bonds.

But the growing role of for-profit real-estate developers has added a new dimension to the debate over charters, which are taxpayer funded and independently operated schools that are largely free of union rules. Critics say charter schools are in danger of cutting costly deals with developers who are more concerned with investment return than educating children. The result can lead to failed schools.

Even people in the business warn that the charter school owners need to beware when agreeing to lease and buy buildings from private players. Charter schools often are launched in church basements or donated space by well-intentioned people who lack the financial sophistication to take their operations to the next level.

“There is a ton of capital coming into the industry,” Mr. Rolfs said. “The question is: Does it know what it’s doing? I don’t know yet.”

People involved in the charter school movement say for-profit participation is critical for the industry’s growth. The capital sources available from foundations and other nonprofit sources aren’t sufficient to keep up with demand, they say.

“The challenge is too large for the nonprofit sector to solve,” said Reena Abraham, a vice president with Local Initiatives Support Corp., a nonprofit that has helped about 189 charter schools obtain some \$276 million in grants, loans and tax credits.

Some of the newer entrants to the business say investors in charter schools can do well by doing good. For example, Northstar tries to structure its deals with school operators so that no more than 12% of their revenue goes to facilities.

At the same time, Northstar believes it can give its fund investors more than a 10% return on their money. Part of its formula is buying buildings for a fraction of their cost and cutting deals with operators with a proven track record.

“It’s sad to me when people leave their business sense at the door and then they wonder why the economic model didn’t work,” said Mr. Watson.

Mr. Turner’s first fund with Mr. Agassi, which raised \$210 million, financed nearly \$500 million in new school development and is on course to develop 65 schools for 35,000 in 17 states. It has generated a rate of return of more than 10% for its investors, according to people familiar with the matter.

Mr. Turner predicts the second fund will finance about \$1 billion in school projects, including leverage, and will serve about 70,000 children. Mr. Agassi has made charter school development one of his main focuses since retiring from tennis in 2006.

“None of our schools have historically failed,” said Mr. Turner. “We’re not interested in scaling mediocrity.”

2015 Charter Conference Highlights

The state-charter-school conference season for 2015 came to a close in November for HighMark with VP of Business Development Patrick Beausoleil hosting a charter facilities planning workshop for about 30 school leaders and board members in Columbia, South Carolina during that state’s annual charter school conference. Prior to the South Carolina conference, HighMark staff enjoyed steady conference attendance in the final quarter of the year with similar state events in Ohio, Florida, Texas, and Louisiana.

In October, HighMark deployed a large staff contingent to Colorado for the annual conference held by the National Association of Charter School Authorizers (NACSA). During that event, we held our third annual (and popular!) reception where over 120 authorizers, board members, EMOs, CMOs, and others ate, drank, had a great time with industry friends. Our trademarked NACSA receptions are becoming so popular, we’re going to begin hosting them at select state conference events. Stay tuned . . .

Partner Spotlight



HighMark is a member of the National Association of Charter School Authorizers (NACSA) and has attended their annual conference for the past several years. NACSA provides a community for charter school authorizers to collaborate and improve authorizer practices. The Association began in 2009 and currently oversees more than half of the nation’s charter schools.

NACSA provides training for every area a charter school authorizer would need including: authorizer startup, application decision management, authorizer evaluation, due diligence, and performance management. The organization provides a professional network for charter school authorizers where authorizers can learn from one other on best practices and making tough decision.

In 2004 the association published their Principles & Standards for Quality Charter School Authorizing. This is considered a foundational text for authorizers who are charged with promoting school quality through flexibility over inputs and accountability for outcomes. The Principles & Standards is sometimes used in revising state charter school laws and policies.

Happy Holidays! HighMark is thankful for all of our wonderful clients and partners who made 2015 a great year. Here’s to making 2016 an even better year!



Pacific Heritage Academy - Salt Lake City, Utah