C.1 Facilities Acquisition

SySTEM Phoenix has conducted a comprehensive search of Central Phoenix to explore all facility options within our target population (west to 35th Avenue, east to 36th Street, north to Camelback and South to Broadway). While SySTEM Phoenix would ideally be located in Downtown Phoenix, we recognize the high demand for real estate given the efforts to revitalize Downtown Phoenix and the expansion of the ASU and U of A presence. For this reason, we expanded our search to include properties that were located near the Light Rail in Central Phoenix, which were located more North or East than originally intended, but still within high-need areas with low performing schools that are included in section A.2 Target Population. Being located near the Light Rail will ensure students have the opportunity to engage with the burgeoning STEM industry downtown through convenient transportation.

A. Description of Facility Necessary for Program

SySTEM Phoenix will require the following minimum specifications to successfully implement the proposed academic program:

1. Year 1: 100 students: (minimum overall 5,000 sq. ft.) 4 regular size classrooms or 2-3 large areas that can hold 50 students, 1 office, 2 restrooms, SPED resource room
2. Year 2: 200 students: (minimum overall 8,801 sq. ft.) 8 regular size classrooms or 4-6 large areas that can hold 50 students, 1 office, 2 restrooms, SPED resource room
3. Year 3: 300 students (minimum overall 12,701 sq. ft.) 12 regular size classrooms or 6-7 large areas that can hold 50 students, 1 office, 4 restrooms, SPED resource room

Figure C.1.1 illustrates the minimum facility requirements necessary to implement the academic program at SySTEM Phoenix.

Table C.1.1: Minimum Facility Requirements

Specifications	Y1 (2014-2015)	Y2 (2015-2016)	Y3 (2016-2017)
Number of Students	100	200	300
Total Number of Staff	8	12	16
Grade Levels	6th	6th, 7th	6th, 7th, 8th
Grade Level Caps	Grade 6: 100	Grade 6: 105 Grade 7: 95	Grade 6: 110 Grade 7: 100 Grade 8: 90[1]
Total Space (sq. ft.)	5,000	8,801	12,701
Total Classrooms	2-3 larger rooms OR 4 typical classrooms	4-6 larger rooms OR 8 typical classrooms	6-7 larger rooms OR 12 typical classrooms

[1] The decrease in enrollment accounts for a 5% attrition rate each year. Due to the rigorous curricular requirements, especially at the high school level, we will not replace students who withdraw during 7th or 8th Grade, as the expected academic gaps will potentially be too large to prepare them in only one year for the rigorous high school curriculum.

Additionally, the facility will need sufficient restrooms to meet code requirements for the middle school population and an administrative office space for a copy machine and enough space for parent meetings. Teachers will share classroom space to plan collaboratively while students are in larger groups engaged in STEM in Action classes with community members. A food preparation area will not be needed, as food services will be contracted with a caterer and all food will arrive at the school pre-packaged and ready to serve. The only required space will be tables large enough to serve food, and students will eat in classrooms. Consistent with the innovative curriculum and structure of SySTEM Phoenix, facility space will be used creatively to meet the needs of students. For example, the problem-based learning curriculum will require students to work in collaborative groups much of the time, which could be done in a larger room with 40-50 students rather than a typical classroom with desks and chairs that only accommodates 25-30 students. For this reason, SySTEM Phoenix has identified several properties that could accommodate these activities through the use of larger classrooms or open space for collaborative group work.
SySTEM Phoenix has identified properties that have significant space available to expand in future years (minimum 19,000 to maximum 40,000 square feet) as well as possible lease to own options. Anticipating high achievement, financial sustainability, and proven success as a charter school, we would ideally like to purchase or build a larger facility nearby after 3 years of leasing. However, in the case that we are not in a position to purchase or build a facility after Y3, we have also identified properties that would accommodate growth beyond Y3 if necessary. This would prevent having to move the location of the school and possibly impacting enrollment.

Although SySTEM Phoenix has identified 3 possible locations that meet the specifications above, we also recognize that additional options might become available within the next 6 months, and, for this reason, have consulted with a variety of individuals to assist in locating properties and evaluating the fit of each property's ability to meet SySTEM Phoenix's needs. These individuals include:

Jamie Swirtz, CBRE
Dan Calihan, CBRE
Bruce Calfee, Cassidy Turley BRE Commercial
Ernie Hostetler, AIA, The Hostetler Corporation
Brian Holman, Founder and School Director, Empower College Prep
Rachel Yanof, Founder and Executive Director, Phoenix Collegiate Academy
Arizona Charter Schools Association

B. Available Facilities Within Target Market

SySTEM Phoenix has identified several potential properties that would meet the needs of our academic program and are within our budgetary constrictions in YR1-3. The Governing Board of SySTEM Phoenix is dedicated to securing a facility as soon as possible, especially given the number of tenant improvements that will most likely need to be done, including the addition of sprinklers and possible construction of interior walls to ensure appropriate classroom space. The Board also recognizes the need to secure a building as soon as possible to aid in recruitment efforts and be able to show prospective families the space.

Option #1: 5060 N 19th Avenue

The property at 5060 North 19th Avenue has 43,006 square feet of space available for lease, which would support full build out of SySTEM Phoenix (600 students by year 7). The building is an exact replica of Imagine Schools Camelback, located next door (making this location possible yet not ideal). With tenant improvements the cost would be $11.00 NNN with $.50 annual increases. The broker believes the owner would also allow us to begin with one floor of approximately 5,000 square feet and expand to additional floors in Y2 and Y3. Although the property is not located in Downtown Phoenix, it is directly across the street from the Light Rail stop on Camelback and 19th Avenue, ensuring easy access to Downtown Phoenix's STEM industries, and the ability of students we recruit from our target population to easily get to and from school.

Option #2: 1500 East Thomas Rd.

The property at 1500 East Thomas Road has 29,744 square feet of space, which would support SySTEM Phoenix at least through Y3, if not through full build out in the seventh year of operation with 600 students. The ownership group would be willing to lease 5,000 square feet the first year (at $10.50 per square foot), 8,801 in Y2 (at $11.00 per square foot), and 12,701 in Y3 (at $11.50 per square foot), modified gross. Additionally, the landlord has offered to include a $5 per square foot tenant improvement allowance to ensure the building is in compliance with school fire and safety codes, including the addition of sprinklers. The building would accommodate SySTEM Phoenix at least through Y3 and possibly until full build out in Y7. Although we assume we will purchase a property after Y3, it is reassuring to know that this location could accommodate the size of the school for several years if necessary. While the location is not located on the Light Rail, it is located directly on a bus line just a few blocks from the Light Rail. It is also a block away from North High School, a C-rated High School within the Phoenix Union High School District. We see this location as an exciting possibility to offer a high-quality STEM-focused education to students who would normally attend North High School, and very aligned to meeting the needs of our target population.

Option #3: 801 North 2nd Avenue, 800 North 1st Avenue, & 814 North 2nd Avenue

The properties at 801 North 2nd Avenue, 800 North 1st Avenue, & 814 North 2nd Avenue would be an ideal location to serve the target population of Downtown Phoenix. The properties are all located in the same lot, just south of Roosevelt Street, between 1st and 2nd Avenues, only one block from the Light Rail stop at Central and Roosevelt. The landlord has responded to a written Request for Proposal, agreeing to guarantee 7,000 square feet in Y1, 9,500 square feet in Y2, and 12,800 square feet in Y3 priced at $16.00 per square foot, modified gross. Additionally, the landlord has offered to include a $10 per square foot tenant improvement allowance to ensure the building is in compliance with school fire and safety codes, including the addition of sprinklers. The three properties are located in the heart of the arts district and directly on the light rail, allowing for optimal community engagement opportunities for students at SySTEM Phoenix. This location would accommodate SySTEM Phoenix through Y3, at which point we assume we will have enough reserves to purchase a larger property within the target population to accommodate our full build out of 600 students.

C. Timeframe for Securing a Facility

Although SySTEM Phoenix will not occupy a facility until August 2014, the process for securing a facility is well underway and will be mostly completed by August 2014. Figure C.3.1 illustrates the major

events that are completed, in process, or planned to ensure we are able to secure an ideal facility prior to the first day of school.

Figure C.1.2: Timeline for Securing Appropriate Facility

February 2013	• ***Programming***: The founding team met over several weeks to plan the ideal requirements for a facility. Using spreadsheets supplied by the Arizona Charter School Association through the Charter Starter Program, the team determined best and worst-case scenarios for facility expenses based on needs of the academic program, staffing, and enrollment projections. • ***Area Selection***: The founding team met over several weeks to select the ideal location based on areas with the highest student need for quality schools and access to public transportation (Light Rail) to ensure engagement with STEM industries and the larger community. Community demographics were analyzed to determine growth rates in target areas, business expansion plans, and long-term growth projections for the area and school.
March 2013	• ***Site Search, Property Tour:*** The founding team conducted searches of available properties and reached out to realtors and charter school leaders who have recently opened new schools to solicit advice and recommendations for facilities. The team met with realtors who had developed comprehensive packets of available properties with all property specifications included. The team researched municipal code, met with architects to discuss costs of tenant improvements, and toured multiple properties to determine fit and feasibility as possible school locations. • ***501c(3) status:*** The founding team researched the 501(c)3 status application process, met with attorneys on the advisory board to discuss options, and began the process of securing 501(c)3 status.
April 2013	• ***Additional Property Tours:*** The team continued to tour possible properties, meet with architects to discuss tenant improvements, and analyze benefits and risks of all possible locations.
May 2013	• ***Narrow Property Search:*** The team narrowed the property search to the most ideal options available and began negotiations with brokers. Specific details regarding total cost for facility, including utilities, maintenance, tenant improvements, and permits and fees were determined.
June 2013	• ***Tenant Improvements:*** Final tenant improvements will be determined and planned. All costs of tenant improvements will be included in total lease price.
July 2013	• ***City permit for Tenant Improvements:*** City permit will be obtained for any and all tenant improvements.
August 2013	• ***Finalize costs:*** Total costs for tenant improvements will be determined, finalized, and included in total lease price.
September 2013-	• ***Improvements:*** The founding team will initiate the beginning of tenant improvements to ensure the building is ready for students and prospective parents

December 2013	by January 2014.
January 2013 - April 2014	• ***Fire Marshall Inspection:*** The founding team will schedule and prepare for fire code inspection. • ***Lease Deal:*** The team will initiate a letter of intent to the broker stating SySTEM Phoenix's intent to lease. Final details of lease will be determined and lease will be signed upon charter contract signing. • ***Furniture:*** The founding team will begin to solicit donations for student and office furniture. • ***Prospective Family Tours:*** The founding team will begin to show the building to prospective families.
May 2014	• ***Certificate of Occupancy:*** The founding team will complete necessary paperwork to obtain Certificate of Occupancy and ensure it is completed by July 20th deadline.
June 2014	• ***Prospective Family Tours:*** The founding team will continue tours for prospective families.
July 2014	• ***School Set up:*** The founding team will set up classroom and office space, and ensure all necessary supplies and building contracts (janitorial, utilities, etc) are set up.
August 2014	• ***School Opens***

D. Costs Associated with Securing a Facility

The costs associated with securing each facility are broken down in detail below. For the purpose of the budget and references throughout the narrative, all assumptions are based on **Option #1,** which reflects the median priced option of all properties included in the charter application and typical of the majority of the properties analyzed. In addition to the costs outlined below, all facilities will require a comprehensive insurance policy, including Property, Liability, and Casualty insurance, which is estimated at $11,000 in Y1, $13,000 in Y2 and $14,000 in Y3, based on estimates from similar sized charter schools in Central Phoenix serving similar age groups.

Table C.1.3 Total Cost for Option #1: 5060 N. 19th Ave

5060 N. 19th Avenue	Y1	Y2	Y3
Square Footage to Lease	5,000	8,801	12,701
Cost per Square Foot	$11.00 NNN	$11.50 NNN	$12.00 NNN
Cost of Lease	$55,000	$101,212	$152,412
Cost of Utilities	$6,875	$13,202	$19,052
Cost of Janitorial Service	$7,270	$9,697	$12,121
Total Facility Cost	**$69,145**	**$124,111**	**$183,585**

The owner assured the broker that he would include a turnkey tenant allowance for the rate listed above. The layout of space would require minimal changes to walls to create larger classroom space, and the cost

for sprinklers would be $3.00 per square foot ($38,103 for 12,701 square feet, the total space needed by Y3), based on the cost to install sprinklers in the identical building next door that currently rents space to Imagine Camelback charter school. Given the owner's assurance that a turnkey tenant allowance would be provided, we assume these costs would be included in the lease. Additionally, we have allocated $50,000 in Y1, $20,000 in Y2, and an additional $20,000 in Y3 as precautionary expenses to cover tenant improvements beyond the allocated allowance and to accommodate any unexpected facilities costs required to comply with federal and state codes.

Table C.1.4 Total Cost for Option #2: 1500 E. Thomas Rd

1500 E. Thomas Rd.	Y1	Y2	Y3
Square Footage to Lease	5,000	8,801	12,701
Cost per Square Foot	$10.50 NNN	$11.00 NNN	$11.50 NNN
Cost of Lease	$52,500	$96,811	$146,062
Cost of Utilities	$6,875	$13,202	$19,052
Cost of Janitorial Service	$7,270	$9,697	$12,121
Total Facility Cost	**$66,645**	**$119,710**	**$177,235**

The landlord would include an additional $5.00 per square foot for tenant improvements, saving SySTEM Phoenix $25,000 in tenant improvement expenses in Y1, $19,005 in Y2, and $19,500 in Y3. As explained above, we have budgeted additional funds for tenant improvements in the case that expenses exceed the tenant improvement allowance included.

Table C.1.5 Total Cost for Option #3: 801 North 2nd Ave, 800 North 1st Ave, & 814 North 2nd Ave

1st Ave/McKinley Properties	Y1	Y2	Y3
Square Footage to Lease	7,000	9,500	12,800
Cost per Square Foot	$16.00 MG	$16.00 MG	$16.00 MG
Cost of Lease	$112,000	$152,000	$204,800
Cost of Utilities	$6,875	$13,202	$19,052
Cost of Janitorial Service	$7,270	$9,697	$12,121
Total Facility Cost	**$126,145**	**$174,899**	**$235,973**

The landlord has agreed to include an additional $10 per square foot for tenant improvements, saving SySTEM Phoenix $70,000 in tenant improvement expenses in Y1, $25,000 in Y2, and $33,000 in Y3. We anticipate this allowance will more than cover the cost of sprinklers and configuration of classroom space and we will not need any additional funds budgeted for tenant improvements.

In addition to the costs above, SySTEM Phoenix will ensure that any and all modifications are made in order to comply with state codes, the Americans with Disabilities act, and any other applicable fire, health, or safety requirements. SySTEM Phoenix will also maintain readily accessible records documenting compliance with all required codes. Given the tenant improvement allowances described above and included in each RFP, we anticipate that all tenant improvements, such as the addition of

sprinklers, will be included in the final lease price and we will not have to access the additional funds allocated towards tenant improvements in our budget. Throughout any improvement process we will ensure that educational occupancy is addressed prior to construction, all plans are approved by the City of Phoenix, permits are obtained, a licensed contractor is hired and compliance is regularly reviewed with all involved parties. Upon completion of any tenant improvements, we will ensure we are in compliance with the Certificate of Occupancy Guidelines. We have allocated an additional $1,000 each year to cover the cost of any other required permits. Based on our conversations with our broker and responses to our RFP, we assume that we will be able to negotiate all tenant improvements into the terms of the lease and the tenant improvement allowance, as we will most likely enter into a three-year lease agreement.

C. Financial Arrangements for Securing a Facility

Funds have been secured for Y1 and Y2 ($230,000 in the start up year, $115,000 in Y1, and $115,000 in Y2 in AZCSP funding), and a portion of these funds can be used to cover facility expenses the month prior to the school's opening, as the building will be used as office space, teacher training, and marketing purposes. Additionally, due to the AZCSP funds being available to cover expenses such as curriculum resources, student furniture, and, curriculum development, state equalization funding will be available to cover all costs for facility usage. Any required tenant improvements will be included in the final lease price, per conversations with the brokers for each property. The cost of the first month of rent (July 2014) will be included in the August 1, 2014 payment, based on the understanding that state equalization payments are not received until August 1st. Based on conversations with realtors and other charter school leaders who have opened schools and the personal experience of Angelica Cruz, co-founder and proposed Chief Operations Officer, it is common practice to delay the first lease payment until August 1st. Additionally, Board members and school founders will seek out and apply for additional funds to ensure the school opens financially viable.