C.1 Facilities Acquisition

Western School of Science and Technology: A Challenge Foundation Academy ("Western Tech: CFA"), as mentioned in previous sections, will be a member of the TeamCFA network of charter schools. TeamCFA is an extension of the Challenge Foundation, which has been supporting charter schools since the early 1990s. One way in which the Challenge Foundation supports start-up charter schools is through securing a facility, which, in many cases, is the most difficult obstacle for charter schools. Challenge Foundation, its properties and real estate division Challenge Foundation Properties, Inc., and TeamCFA have thus committed to supporting Western Tech: CFA as it works to acquire a facility.

A. Description of Facility Necessary for Program

Western Tech: CFA will be located in the Maryvale neighborhood, in order to be in close proximity to and within the target community. Preferably, the facility would be located in very close proximity to Pioneer Preparatory School: A Challenge Foundation Academy ("Pioneer Prep: CFA"), a TeamCFA elementary school in the Maryvale community near the intersection of West Indian School Road and North 67th Avenue in Phoenix, Arizona.

Minimally, the facility necessary to implement the Western Tech: CFA Program of Instruction in years one through three will require at a minimum fifteen classrooms at approximately 750 square feet each, and at least three science laboratories at 800 square feet each. In addition, Western Tech: CFA will require at least one multi-purpose meeting space for assemblies of approximately 6,000 square feet, one 300 square foot faculty work room, at least five administrative offices at 100 square feet each, a health suite at 150 square feet, and two computer labs at 900 square feet each to facilitate blended learning. Using these as baseline figures and multiplying by 130% to include space for bathrooms, hallways, storage, and auxiliary space, Western Tech: CFA will, at minimum in years one through three require a facility of approximately 29,000 square feet.

B. Description of the Facility

Challenge Foundation Properties, Inc. has assisted Western Tech: CFA with securing a facility.

Challenge Foundation Properties, Inc. owns approximately six acres of land at the southwest corner of West Indian School Road and North 64th Drive in Phoenix, Arizona. This property is adjacent to the Pioneer Prep: CFA facility.

On this site, Challenge Foundation Properties, Inc. has committed to the financing the design and construction of a purpose-built two-story 40,000 square foot facility with 24 classrooms of approximately 750 square feet each, including three science labs of about 800 square feet each to accommodate learning in science, technology, engineering, and math (the STEM fields – a cornerstone of learning at Western Tech: CFA), three computer labs of about 900 square feet each to support hybrid learning, and a cafeteria that doubles as a gymnasium of about 6,000 square feet. It also includes administrative offices and two faculty workrooms of approximately 300 square feet each. The reception area is approximately 370 square feet; there is also a warming kitchen, two changing rooms, storage space, and janitorial closets.

The classrooms will comfortably fit class sizes of approximately 25 students.

Floorplans for the facility are included as the required exhibits for this section.

C. Timeframe for Securing a Facility

In conjunction and with input from the Western Tech: CFA team, Challenge Foundation Properties, Inc. has already begun the design phase for the facility. Waltz Construction and Orcutt Winslow architects are working with both organizations on this phase, which should be completed by July 2013.

Once the design phase is complete, the permitting phase will begin. TeamCFA and Challenge Foundation Properties, Inc. have previous experience in being able to navigate the permitting process, and based on that experience does not expect this factor to be prohibitive as it applies to Western Tech: CFA. The permitting phase is expected to be completed by September 2014.

Once permitting is complete, construction may begin. Construction is expected to begin by October 2014 and be completed by June 2014. This eight month timeframe is in line with Challenge Foundation Properties's timeline for the completion of the Ridgeline Academy: A Challenge Foundation Academy facility, a similar-sized facility in north Phoenix. In addition, TeamCFA has previous experience in being able to expeditiously secure an educational Certificate of Occupancy, and based on that experience does not expect this factor to be prohibitive as it applies to the Western Tech: CFA. Thus, move in is expected to occur in late June and early July 2014 such that the facility will be completely ready for the first day of teacher pre-service on July 7, 2014.

D. Costs Associated with Securing a Facility

Challenge Foundation Properties, Inc. has committed to the costs, including construction, applicable fees for obtaining an educational Certificate of Occupancy and all required permits, for securing the facility for Western Tech: CFA. Western Tech: CFA will be responsible for the monthly costs related to the facility, including monthly lease and maintenance expenses, utilities, and insurance, after the building is complete.

A breakdown of such costs is included below.

Contracted Services - O&M

- Assumes contracted landscaping services at $1,000 per month for Years 1-3, with a 3% increase per year. This cost is based on the cost for Pioneer Prep: CFA with Landcare Unlimited for services on a similarly-sized lot.
- Assumes contracted janitorial services at $30,000 per year in Year 1, with a 3% increase per year. This cost is based on the cost for Pioneer Prep: CFA with Jani King and adjusted for facility size.

Building Rent/Lease/Loan, Land & Improvements, Fees/Permits

- Assumes rent of $70 per student per month, based on the current lease charged by Challenge Foundation Properties.
- Assumes land and land improvements, fees, and permits built into rent, lease, or loan.

Building & Improvements

- Assumes rent of $23,333 of building maintenance costs in Year 2, with a 3% increase in Year 3. Cost assumption is based upon the maintenance budget for Pioneer Prep: CFA, and adjusted for differences in school facility size.

Liability Insurance, Property/Casualty Insurance

- Assumes $13,500 general liability insurance, $5,467 umbrella insurance, and $1,191 student accident insurance in Year 1.
- Assumes $20,250 general liability insurance, $8,201 umbrella insurance, and $1,786 student accident insurance in Year 2.
- Assumes $26,933 general liability insurance, $10,907 umbrella insurance, and $2,375 student accident insurance in Year 3.
- These cost assumptions were provided by the TeamCFA Business Committee.
- Assumes workers' compensation insurance at $2,871.76 in Year 1, $4,634.05 in Year 2, and $6,896.54 in Year 3. This cost assumption was provided in a quote from The Hartford via Wells Fargo, and is based on $0.42 per $100 of payroll.
- Assumes all insurance costs are included in the Liability Insurance line item.

Utilities

- Assumes $50,000 in electric services in Year 1. This is based upon Pioneer Prep: CFA's current expenses for the same services through SRP and adjusted for the smaller size of the facility and smaller population of Western Tech: CFA.
- Assumes 3% increase in electric service in Years 2-3.
- Assumes $3,333 in water and trash services in Year 1. This based upon Pioneer Prep: CFA's current expenses for the same services through the City of Phoenix and adjusted for the smaller size of the facility and smaller population of Western Tech: CFA.
- Assumes water and trash services increase to $5,150 in Year 2 based on population increases and a 3% increase in rates.
- Assumes water and trash services increase to $7,073 in Year 3 based on population increases and a 3% increase in rates.

Phone/Communications/Internet Connectivity

- Assumes $28,000 for telephone and internet connectivity. Cost is based on phone and internet connectivity costs at Pioneer Prep: CFA.
- Assumes 3% increase in Years 2-3.

E. Financial Arrangements for Securing a Facility

Western Tech: CFA will lease the facility from Challenge Foundation Properties, Inc. beginning August 1, 2014. The terms of the lease are based on the enrollment, not square footage, of Western Tech: CFA.

The lease agreement will stipulate that Western Tech: CFA will lease the facility for $70 per student per month.