

NEW CHARTER SCHOOL DESIGN-BUILD PROGRAM ALLOWS FOR PROPERTY TAX EXEMPTION



FRONT ELEVATION

St. George Academy is a new charter school authorized in 2015 by the Utah State Charter School Board and the Utah Board of Education to open in the fall of 2016. The school was particularly concerned about its total facility costs as the school moved from concept to approval and the anticipated opening.

The school spent significant time and energy working on a solution to purchase the land and build the school ground up so that it could file for the property tax exemption. Unfortunately, the school lacked a personal guarantor, a down payment, an operating track record, and had no additional collateral to pledge.

The school entered into discussions with American Charter Development, who understood this problem and was working on an exemption of property taxes for a school in Georgia. American Charter Development proposed a new transaction structure where the developer becomes the lender and sells the facility to the charter school either upon occupancy or at another agreed upon time.

Because many schools currently use bonding to purchase their facilities receive loans equal to 100% of the purchase price, the amount of equity that the school has in the facility is not the criteria for the property tax exemption.

This new transaction creates a win-win scenario that allows all parties to benefit. Because the school is the owner of the property, it can file for the property tax exemption with the local county assessor. The developer is able to build the school. The developer's lender receives the same collateral and security as though it was a traditional design-build project. Because the school no longer has the obligation to make property tax payments, the credit underwriting of the school and the project are improved while allowing valuable resources to be redirected to teachers and programs.

Because of the property tax exemption, it is anticipated that St. George Academy will save approximately \$70,000 per year during the period up to when they seek permanent financing through bonding or the USDA. The impact for the first year charter school will be significant.

For more information, please contact:

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