



## Thinking & Building Outside the Box

*Triangle Community Coalition's  
White Paper on School Facilities  
Construction and Financing*

# Schools Facilities Construction and Renovation Support for Public-Private Partnerships

## TRIANGLE COMMUNITY COALITION

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### Our Position:

As our community continues to grow and prosper, we are faced with pressing challenges associated with accommodating growth. This includes balancing growth with the demands placed on our region's school systems.

School systems around the Triangle must find ways to deal with unprecedented growth and capacity needs. The Triangle Community Coalition (TCC) supports the use of public-private partnerships to facilitate the construction of schools in the region. The attached white paper – *Thinking and Building Outside the Box* – provides background information about this innovative model for building schools. In short, we believe that the use of public-private partnerships to build schools will help our regional school systems meet the demands of continued growth. While we recognize that public-private partnerships alone will not solve the growth challenges facing our school systems, we do believe that this alternative model should play a role in building and constructing schools.

### Our Recommendations:

#### 1. Local School Boards and County Commissions Must Work Together:

School boards and county commissions should agree to the use of public-private partnerships. Moreover, the TCC supports and recommends any efforts by school boards and county elected leaders to seek legislative authority to facilitate the use of public-private partnerships.

#### 2. The NC Legislature Should Enact Legislation Allowing Public-Private Partnerships To Build Schools:

Currently, there is no enabling legislation that allows Triangle local governments or school boards to enter into public-private partnerships. *The TCC therefore would support legislation that would allow this alternative school construction/financing model for use by Triangle local governments and school boards.*

### Our Beliefs:

We believe that good planning solves problems. The TCC takes a leadership role to promote effective planning by the community to meet the needs for schools---and other important infrastructure.

Our entire community must come together to address school planning needs and the provision of additional classrooms. Likewise, we believe that since *everyone benefits from growth*, improving our schools and other services should be the responsibility of the *entire community*.

The goal of the TCC is to bring balanced solutions to growth issues in all our communities. We promote public policy that encourages a balance among economic growth, development, the environment, and community while protecting the rights and interests of individual property owners.

We recognize that the decisions of local elected officials have a direct impact on the ability of families to buy a home or sell property, landowners to buy or sell property, and businesses to develop, buy, or sell property. Our overall objective is to inform citizens on growth issues and help give them a role in deciding policies that affect their lives.



*Bringing balanced solutions to growth issues in all our communities.*

## Background

Across the United States, the price tag for building and renovating public schools is over \$300 billion---and growing. The demand for more schools continues to place pressures on state and local governments to do more with less---and faster.

The Triangle is no exception. Wake County alone will need to spend hundreds of millions of dollars on new school facilities and find 20,000 seats for new students over the next five years.

Excellent schools---combined with a high quality of life---continue to attract new families and businesses to the Triangle. However, with our success comes the challenge of keeping up with a growing school system.

Therefore, school boards, with the support of state and local elected officials, must think outside the box when it comes to building and renovating schools. In short, school systems must find alternative, creative ways to build new schools, streamline the way we construct our schools, and find alternative financing solutions to save taxpayers' dollars.

According to Washington D.C. lawyer and expert on public-private partnerships David Guhse, "Based on the experiences of school districts around the country, it is increasingly clear that no school district with unmet school construction, expansion and renovation needs can afford to ignore the option of public-private arrangements to address all or part of their comprehensive infrastructure plan."<sup>1</sup>

The Triangle Community Coalition (TCC) is committed to finding fair and balanced ways to construct schools. One of our main issues---as outlined in our issues primer *Balanced Growth: Solutions for a Better Tomorrow*---is to identify and find alternative ways for local governments to pay for infrastructure, including new schools. Specifically, the TCC would suggest that the state legislature, local governments, and school boards adopt policies and laws that would allow public-private partnerships to build schools.

## The Trend Towards Public-Private Partnerships

The use of public-private partnerships to build and renovate schools has picked up momentum around the United States. Florida, South Carolina, and Virginia are just a few states that have successfully implemented public-private partnerships to build and renovate schools.

North Carolina---and specifically the Triangle---can no longer afford to ignore the option of public-private partnerships to build schools to keep pace with increasing demand. There is adequate proof with which our local leaders can assess the success of this alternative method to construct schools.

Additionally, the federal government, in recent years, has made it easier for the private sector to get involved. With the passage of the Economic Growth and Tax Relief Act of 2001, the private sector can now tap into tax-exempt, private activity bonds to use in the construction of public schools.<sup>2</sup>

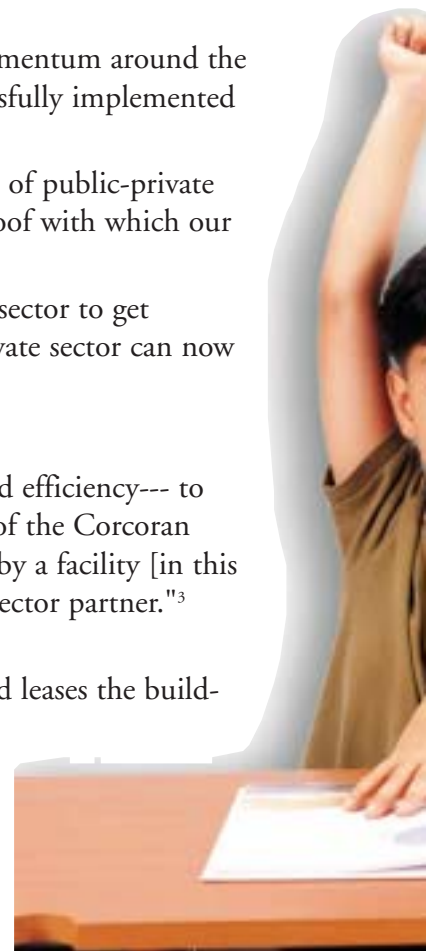
## How Public-Private Partnerships Work

Public-private partnerships take the best aspects of the private sector---mainly speed and efficiency--- to help meet the public sector's pressing infrastructure needs. According to Janet Corcoran of the Corcoran Network, "Technically, a public-private partnership is any contractual arrangement whereby a facility [in this case a school] or some physical infrastructure is provided to the community by a private sector partner."<sup>3</sup>

In essence, there are two types of public-private partnerships for building schools:

**1. Municipal/Capital Lease:** In this instance, the private developer builds the schools and leases the building back to the school districts/local governments over a specified period. According to the Evergreen Freedom Foundation:

When the lease term ends, school districts may pay a token amount for the purchase of the facilities. A similar plan may be used for the renovation and upgrading of deteriorating or inadequate facilities. The school district will sell



its property to a developer who completes the renovation efforts. Then the developer will lease it to a foundation established by the district.<sup>4</sup>

**2. Operating Lease:** This type of public-private partnership is a variation of the municipal/capital lease model. As outlined in the School Directors' Handbook written by the Evergreen Freedom Foundation:

...using this plan, the lease is classified as a security to the developer. The school district may be without the option to purchase the property for a token amount at a later time. Instead, the district's ownership payment for the school board building will accumulate as the lease is paid. Because lease payments contribute to eventual ownership, the interest remains taxable. Even so, the school district stands to save 10 percent to 15 percent in the long run.<sup>5</sup>

Regardless of the type or model, public private partnerships offer numerous, concrete benefits to the community, taxpayers and most importantly students. Again, Corcoran sums up the virtues of public private partnerships nicely.

...one of the chief advantages to the community of public-private partnerships is the infrastructure [schools] can be built and placed in operation faster than if accomplished by the public sector. In some cases, the responsibility for financing the infrastructure is shifted to the private partners, thereby helping the community to stay within the debt limit, to devote existing borrowing authority to other purposes, or to avoid having to seek voter approval to issue more debt...Furthermore, unencumbered by the multitude of regulations that govern public sector bond offerings, voter approval, design reviews, review of competitive bids and construction, infrastructure can be built in a much shorter period of time than with the traditional method.<sup>6</sup>

## Advantages of Public-private Partnerships for Building Schools

Public-private partnerships offer several distinct advantages over the traditional way of building schools including, but not limited to:

- ✓ Building schools smarter, faster and more efficiently
- ✓ Eliminating the need to ask for new school bonds
- ✓ Providing incentives for building schools quicker
- ✓ Saving taxpayers money
- ✓ Financial incentives exist under the federal tax code
- ✓ Encouraging the joint use of facilities to meet needs of community
- ✓ Improving the local economy

### Track Record for Public-Private Partnerships

Proven Examples of successful public-private partnerships to construct or renovate school facilities:

- Greenville County, South Carolina
- Dade County/Pembroke Pines, Florida
- District of Columbia Public Schools
- Independent School District of Houston, Texas
- Niagara City School District, New York



<sup>1</sup>Guhse, David, Innovative and Workable Ideas for Building Schools, a report by The Thomas Jefferson Institute for Public Policy, October 2001, Executive Summary, p.5.

<sup>2</sup>Utt, Ronald D., New Tax Law Boosts School Construction with Public-Private Partnerships, Washington DC: Heritage Foundation, August 2001.

<sup>3</sup>Corcoran, Janet, Cox, Wendell, and Utt, Ronald D., Building for Tomorrow: Innovative Infrastructure Solutions, National Association of Home Builders, 2003, p.24

<sup>4</sup>Evergreen Freedom Foundation, School Construction: Building a Better Schoolhouse, School Directors' Handbook, p. SC-3.

<sup>5</sup>Evergreen Freedom Foundation, School Construction: Building a Better Schoolhouse, School Directors' Handbook, p. SC-3.

<sup>6</sup>Corcoran, Janet, Cox, Wendell, and Utt, Ronald D., Building for Tomorrow: Innovative Infrastructure Solutions, National Association of Home Builders, 2003, p.24



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