



SYSTEMIC APPROACH TO BUILDING 21ST CENTURY SCHOOLS

Project Description

August 2012

Background

School districts throughout the country are suffering from aging schools, repair and maintenance backlogs, and budget short-falls. The result is insufficient government resources to ensure that students are provided adequate classrooms and facilities to enhance learning and student achievement. In Hawaii, the repair and maintenance backlog for 2010 was approximately \$392 million for the Hawaii Department of Education's 260 public schools statewide.¹ Coupled with State government addressing a \$1.3 billion deficit, deep cuts to government operations and services are currently being implemented, leaving minimal funding for school repair and maintenance, let alone needed facilities upgrades to meet the demands of 21st century learning.

The DOE reported that the average age of Hawaii's public school is 65 year old. The 21st Century Fund ranked Hawaii last in the U.S. in capital outlay for school construction.

Purpose of Project

HIPA's project is to develop a strategic approach to upgrade and build 21st century schools. Recognizing that public funds are severely limited, the Hawaii Institute for Public Affairs (HIPA), a non-governmental public policy institute, initiated a research- and community-based effort to develop an innovative, systemic and practicable approach to school facilities upgrades, management and development. The HIPA project, which began in 2009, has resulted in a highly renewed commitment and progress in upgrading Hawaii's school facilities, which:

- Leverages vacant and underutilized public school lands and assets;
- Utilizes public-private partnerships to maximize resources and opportunities;
- Provides for a sustainable financing mechanism to build 21st century schools;
- Encourages community engagement as a means to determine school and community needs;
- Results in statutory and systemic changes to public land management and school facilities planning and development.

What is a 21st Century School?

A 21st century school includes a full complement of the people, programs and places that support a wide range of personal learning styles and instructional modalities. In addition to first-rate educational programs, and a wide variety of space to accommodate individual needs, team

¹ Loren Moreno, Honolulu Star Advertiser, Hawaii Public Schools' Repair Backlog Chopped 50 percent, May 10, 2010.

teaching, cooperative learning, project based learning and other pedagogical strategies, current research has also confirmed the roles of physical and psychological health, nutrition, family support and other factors in fostering higher levels of student achievement and development. More recent models for educational delivery include innovative and effective practices like differentiated instruction, cooperative and project-based learning, multiple pathways and other educational strategies. These new strategies call for school designs that include some significant modifications, like more flexible and adaptable floor plan layouts, more advanced technology, improved daylighting and more. These design changes are all part of a new era of twenty-first century school facilities.²

In Hawaii, most public schools are horizontal designs that are now outmoded and are not aligned with 21st century learning. They tend to be single-story, horizontal school campuses which consume large quantities of public land. Hawaii law actually quantifies the historical average acres and enrollments required for elementary (grades K-5), middle (grades 6-8), and high school (grades 9-12) as 12.5 acres (800 students), 16.5 acres (1,500 students), and 49 acres (1,600 students), respectively.³ Such school configurations are not necessarily compatible with modern school facilities which could be more compact and vertical, enabling efficiencies in technology, security and grounds maintenance, let alone more effective use of land.

Elements of a Strategic Approach to Building 21st Century Schools

Utilizing Vacant or Underutilized Public School Lands

Of Hawaii's 4.1 million acres of land, about 197,085 or slightly less than five percent acres of lands are classified as Urban. About 10,870 acres are classified as Rural or about one-fourth of one percent of all lands.⁴ Generally speaking, Hawaii's 260 schools are situated within the Urban and Rural Districts where residential development is permitted, and public schools are situated. With limited lands available for urban or rural development, public schools occupy valuable real estate, which if used appropriately, could be utilized for residential, commercial or other public purposes.

Hawaii's 260 public school sites occupy about 3,978 acres of land, and 19 million square feet of building space. Many school campuses are situated in valuable areas like the financial district of downtown Honolulu (Central Intermediate School), near Waikiki Beach (Thomas Jefferson School and Waikiki Elementary School), and downtown Lahaina (King Kamehameha III Elementary School) – collectively worth billions of dollars if developed appropriately. Others are situated in residential areas where teacher or workforce housing could be developed if those campuses are re-configured i.e. Kaimuki Intermediate School.

The essence of this strategic approach to building 21st Century Schools is to leverage underutilized or vacant public school lands that are consistent with the educational and community needs of the school, teachers and its students. Joint-use, lease-backs, land swaps, and other use of public school lands provide unique opportunities to maximize the value of public school lands. For example:

² S. Binger, et al., Concordia LLC, Hawaii: Nexus Community Planning and Engagement (Project Report to the Hawaii Institute for Public Affairs), July 1, 2011.

³ Haw. Rev. Stat. § 302A-1602.

⁴ Hawaii 2050 Sustainability Task Force Report, Hawaii 2050: Building A Shared Future, 2007.

- Public school lands can be leased at minimal cost to Developer X for commercial or other purposes that are compatible with the school and surrounding community. In return, Developer X builds a new 21st century school and provides a portion of its lease proceeds for the duration of the lease to the Hawaii Department of Education (DOE) for further development of 21st century schools throughout the state.
- Underutilized public school lands within residential areas are leased to Developer Y to build affordable rental housing units for teachers that are adjacent to the school.
- Developer Z builds a new vertically-designed 21st century school at no or minimal cost to the DOE, and occupies a portion of the premises for commercial, residential or other compatible uses.

Encouraging Public-Private Partnerships

Encouraging and incentivizing public-private partnerships are therefore critical. No longer can public education be solely financed and supported by government. The private sector, with its resources and expertise, can play an integral part in enhancing public education, while providing profitable opportunities for their respective companies.

The U.S. Department of Defense (DOD), for example, has pioneered these efforts in engaging in public-private partnerships in Hawaii and throughout the country. In 1996, Congress established the Military Housing Privatization Initiative (MHPI) as a means to develop and improve housing for U.S. service members. The MHPI was designed and developed to attract private sector financing, expertise and innovation to build housing units faster and more efficiently than the traditional military housing processes. In Hawaii, approximately 16,000 military housing units were built by private developers on military lands where awardees built, managed and will maintain these housing units for fifty years. In total, over 170,000 housing units have been awarded to private developers.⁵

Under the MHPI, DOD works with the private sector to revitalize military family housing through a variety of financial tools—direct loans, loan guarantees, equity investments, conveyance or leasing of land and/or housing/and other facilities.⁶ In essence military lands were leased to private developers at minimal cost; the basic allowance for housing (BAH) for military personnel ensures developers a sustained revenue resource for an extended period of time; and a long-term contract is also awarded to manage and maintain those units, providing an incentive to develop energy efficient and high quality units that would last throughout the duration of the contract award.

A similar approach to building and maintaining public schools can also be applied by leveraging public lands, public and private financing mechanisms i.e. issuance of special purpose revenue bonds, creation of construction tax credits, etc., and monetizing anticipated revenue sources over an extended period of time. This kind of comprehensive financing scheme is more

⁵ Karen Jowers, *Martine Corps Times*, Privatized Housing Plans Hit New Phase, December 3, 2007.

⁶ Office of the Deputy Under Secretary of Defense, Installations and Environment, Military Housing Privatization, <http://www.acq.osd.mil/housing/index.htm>.

effective rather than the piece-meal approach to building and maintaining school facilities that currently exists.

Legal and Policy Reform: Senate Bill 1385 and Senate Bill 1555 (Act 55, SLH 2011)

In order for the DOE to facilitate such land transactions, land management and title reform was required. Currently, all State lands are held in title by the Hawaii Department of Land & Natural Resources (DLNR). The use of State lands by the DOE for education purposes are designated by Gubernatorial Executive Order. The DOE, however, has limited authority to sell, lease, or develop school lands for other purposes aside from educational activities. Hence, in order to provide the DOE with the authority and flexibility to utilize its underutilized and vacant lands, legislation was required.

HIPA conducted a national survey of public land trusts which sell, lease and/or develop public lands for the purposes of generating revenues for government operations. According the Children's Land Alliance Supporting Schools, approximately 45 million acres and \$32 billion are held in trust for public schools.⁷ Similarly, Arizona created the Board of Appeals within the Arizona Land Department which approves all land sales and commercial leases.⁸ There is approximately \$3.0 billion in assets in the Arizona Land Trust, of which proceeds derived from the trust are utilized for government services and operations. Native American Tribes and Alaskan Native Corporations recognized by the U.S. Government are adept at utilizing tribal assets, particularly land, in generating revenues for their beneficiaries.

HIPA developed a similar policy framework which was used as basis for legislation introduced as Senate Bill 1385 in the 2011 Hawaii State Legislature. A key element of SB1385 was transferring land title and facilities management authorities from DLNR and the DOE to a new governmental authority – the Public School Land Trust (PSLT). HIPA believed that the DOE's expertise and authority should be focused on student achievement and classroom instruction, rather than building and maintaining school facilities. In summary, SB1385 included:

- Creation of a land trust to hold title to public school lands and revenues generated from the sale, lease or joint-use of its holdings;
- Formation of a public schools lands trust Commission to plan, construct and develop 21st Century schools;
- Funding mechanisms to build schools, including authority to issue special purpose revenue bonds and enter in to joint development agreement with private entities;
- Governance issues related to consolidation of land, title and jurisdiction of various State and county agencies, including transferring land title from DLNR and country governments to the PSLT.

Simultaneously, Senate Bill 1555 was introduced in the Hawaii State Legislature. SB1555 similarly proposed the creation of a Public Lands Authority which would have jurisdiction over *all* developable State lands. The bill was much broader in scope than SB1385, and provided opportunities to utilize all public lands, rather than just public school lands. Both

⁷ Children's Land Alliance Supporting Schools, http://www.childrenslandalliance.com/school_trusts-background.php.

⁸ Ariz. Rev. Stat. § 37-215.

bills advanced through the Legislative session. Ultimately, SB1555 was adopted by the Legislature, and signed by the Governor as Act 55 (SLH 2011). Act 55 now provides greater flexibility to utilize public lands, including public schools lands, for public-private initiatives as recommended HIPA's conceptual framework.⁹ Subsequently, in 2012, HIPA advanced new legislation which created a special fund for new school construction. Act 309 (SLH 2012) was adopted to ensure that if public school lands were used, any proceeds would go into a special fund to be used for the new construction or upgrading of 21st century schools.

Engaging Students, Stakeholders and the Community: The Nexus Concept

A community-based policy and planning approach is essential to ensure that 21st century schools and any related commercial, residential or other development is compatible with the surrounding community. Teachers, administrators, students, community residents and stakeholders need to play a meaningful role in the planning, design, and continued partnership between school and community. Short of that, there may be a disconnect between the school and the community. More so, opportunities to integrate learning, community support, and partnerships for students could be lost.

During the course of HIPA's activities, it was inevitable that a partnership with Concordia LLC was formed. HIPA's guiding principles include a strong community engagement component emphasizing the need for stakeholder input and collaborative decision-making as a basis for more effective and thoughtful public policy. Similarly, Concordia's Nexus concept is a collaborative process that involves students, parents, educators, business partners and others who have a genuine stake in a final outcome. This dialogue occurs through any or all of three democratic planning techniques – stakeholder contributions through proxy, community participation and community engagement.¹⁰ Concordia LLC is a leading national architectural and planning firm that has built 21st century schools throughout the country. The Nexus concept, which provides a collaborative school design and planning process, is at the cornerstone of a systemic plan.

Sustainable Financing Mechanism

Another basic element of HIPA's systemic plan is to develop a sustained funding mechanism. Without a viable financing scheme, the plan will fail. Careful attention and emphasis must be placed on the development of a financing scheme that utilizes a wide array of funding mechanisms i.e. taxes, business incentives, municipal bonds, loan guarantees, etc., that maximizes opportunities created by leveraging public assets and utilizes public-private partnerships.

Generally, in Hawaii, schools are funded by State income and corporate taxes, augmented by federal funding for special and grant programs. Periodic revenue bonds have been issued for construction improvement projects (CIP). Discussions with investment bankers, financial managers and developers have already commenced to provide a more expansive, creative yet

⁹ While SB1555 was adopted, it is still unclear as to how proceeds from revenues generated from public school lands will be handled. Amendments to Act 55 may be required to ensure the proceeds from public school lands are used for public education purposes.

¹⁰ Concordia LLC, Building Nexus Communities, p. 5, 2010.

prudent approach to financing a 21st century schools master plan. The following concepts are being considered:

- Review and evaluate revenue and debt measures which impact public education;
- Monetize annual CIP appropriations for issuance of larger-scale municipal bonds;
- Utilize vacant and underutilized lands as means for generating additional revenues to build 21st century schools;
- Identify school parcels with high value and development potential that can be used as a long-term revenue stream for public education;
- Utilize public-private partnerships which incentivize private entities to build new schools at no or low cost to the State, and share in long-term proceeds generated from those lands;
- Engage in joint-development agreements to build and share school facilities for public, private and community use;
- Creation of a public lands trust to finance, build, manage and maintain school facilities.

These alternatives can vary based on the location of the school. Whatever the case, a comprehensive financial strategy is required. Piece-meal funding is not a viable approach to ensuring quality facilities for Hawaii's students.

A Comprehensive Systemic Plan is Required

In order to integrate the above-referenced activities and requirements, a comprehensive plan is necessary. HIPA believes that the DOE must adopt a statewide plan within the next two years to ensure that Hawaii's students are adequately provided with quality facilities which advance student learning and achievement. DOE campuses are aging and out-dated. Facilities upgrades are essential to better integrate technological requirements, learning methods, and teaching requirements of the 21st Century. A comprehensive review of school sites should be conducted to better evaluate which schools need renovating or rebuilding, including what properties could be utilized for development purposes.

Furthermore, a comprehensive plan addresses important equity issues of any statewide schools system. School improvements must be looked at in totality to ensure that a fair and rationale approach is applied. For example, urban schools may provide better commercial opportunities for joint-development of school facilities with private entities. Therefore, how does the DOE deal with improving rural schools? Do development proceeds from one school get distributed to just that school, or are they distributed or allocated to other areas? These issues and more need to be addressed in a statewide plan.

About the Process for Advancing 21st Century Schools and Systemic Reform

In 2009, when HIPA began this initiative, the concept of 21st century schools was in its infancy. In less than two years, the commitment in addressing Hawaii's aging physical facilities and building 21st century schools has risen to the senior levels of government, and piqued the interest and commitment of many in the business, educational and general community.

Hawaii's Governor Neil Abercrombie has made numerous pronouncements about utilizing public school lands for workforce and teacher housing; the Hawaii Legislature adopted Act 55 (SLH 2011) as a mechanism to develop public lands, including public school lands; the Chairman of the Board of Education has initiated discussions with private entities on expediting pilot projects on public school lands to build 21st century schools; community organizations throughout the state, including the Hawaii State Teachers Association, General Contractors Association, Hawaii 3R's (public school facilities repair initiative), Good Beginnings Alliance (early education advocate), and others have been early and continued supporters of this concept. The momentum for improving school facilities has begun.

Building consensus and support for public policy requires collaborative support and strategic networking. In a short period of time, HIPA was able to garnish strong support for and awareness of a systemic plan for 21st century schools through the following activities:

- Established a leadership group consisting of key stakeholders to inform, receive feedback and disseminate information on a systemic approach to build 21st century schools;
- Enlisted early and continued support from senior leaders of government, including the Governor, Superintendent of Education, Chair of the Board of Education, Senate President, Speaker of the House, and chairs of the House & Senate education committees;
- Retained a real estate expert on evaluating the number of acres of developable public school lands, and its potential value.¹¹ Having credible data enabled stakeholders and lawmakers to see the development potential of leveraging public school assets;
- Engaged over 200+ government, business, community and union stakeholders throughout the process. HIPA was successful in convening key stakeholders; providing them with credible data and information; engaging in open, transparent and creative dialogue; and collectively moving them towards a common goal of building 21st century schools.
- Provided periodic educational updates to the general public through media, public relations and other public forums, resulting in a featured editorial in support of HIPA's public school initiative by the Honolulu Star-Advertiser.
- Consulted with and enlisted national experts on public education and land trusts, including Washington Department of Natural Resources, Land Commissioners Association of Western States, Arizona Public Schools System, Oregon Public School System, Arizona Board of Appeals, Concordia LLC, CLASS (Children's Land Alliance Supporting Schools) and CEFPI.

¹¹ HIPA retained Colliers Monroe Friedlander, a nationally recognized commercial real estate brokerage firm to conduct research on Hawaii's public school lands.

- Adoption of a public land development corporation (SB1555; Act 55, SLH 2011) that is similar in concept to the public school lands trust bill (SB1385). Legislators saw merit in leveraging public lands as a means for advancing the public's interest.
- Passage of Act 309 (SLH 2012), which creates a special fund controlled by the DOE. This new law ensure that is public school land are used, proceeds will go into a special fund to be used only for new school construction or upgrading of 21st century schools.
- Support and leadership by the Governor of Hawaii. This project will soon become an official activity of the Governor, who will be best positioned to lead entire rebuild of our school facilities over a 20 year period. It is estimated that new and upgraded school construction can be between \$12 billion to \$15 billion. Completed over a 20 year period, this initiative is achievable. HIPA's role is to continue to support and provide assistance to this effort particularly through the development of a systemic long-range and financial plan.

In summary, advancing the 21st century schools concept was the result of a strategic approach that included research, collaborative convenings, public education, sound public policy recommendations, and strategic networking.

Phase II of the project will commence with the development of a strategic and financial plan; retention of a real estate consultant to conduct a study on the development potential of all public school lands; and the selection and development of three to five pilot projects that can commence now.

For more information:

William M. Kaneko
 President & CEO
 Hawaii Institute for Public Affairs
 1003 Bishop Street, Pauahi Tower, Suite 765
 Honolulu, Hawaii 96813
 808-585-7931 Phone
 808-585-7932 Facsimile
 website: www.hipaonline.com
