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**Allen Academy shuts down as Michigan legislation could tighten controls on charters**

By Gunjan Banerji

1 July 2016

**Allen Academy Charter School** closed its doors to students yesterday (30 June), and now bondholders may monetize school facilities during the dissolution process, said two Michigan-based attorneys specializing in education.

The Detroit charter school had USD 16.2m in outstanding debt as of March, backed by state aid and a mortgage on the school facilities, according to 2013 offering documents. A USD 12.1m tranche of Series 2013 bonds last traded on 15 March at 63.3 yielding 10.7%, according to *Electronic Municipal Market Access (EMMA)*.

Since the bonds are backed by real property, the trustee could work with parties involved to sell the school facilities to another institution, or even eventually foreclose on the property, said Joseph Urban of Clark Hill, who counsels school districts and public school academies. The trustee, **US Bank**, declined to comment.

Allen Academy's next bond interest payment is on December 1, according to the offering documents.

"They may forbear for a while," said Michael Atkins, general counsel of the Leona Group, a charter school operator.

Ferris State University, the authorizer, did not renew Allen Academy's charter after ongoing educational underperformance. It did not respond to a request for comment.

While the school has been around since 1999, only 10% of its students met reading targets, while only 3% met math targets, according to academic disclosures on Ferris State University's website.

Almost all students were eligible for free or reduced lunch, and 100% of the student population is African-American, according to the disclosures.

Given the educational under-achievement, school officials were under significant pressure to improve, Atkins said. This, in turn, put financial pressure on the school.

While the school projected a deficit, its actual deficit was USD 1.7m for the nine months ending 31 March, or 195% wider than the USD 577,272 projected, according to financials posted on *EMMA*.

This isn't the only Detroit school closing. The Nataki Talibah Schoolhouse and New Paradigm Glazer Academy are also shutting down, according to state documents.

Recent **Detroit Public Schools** legislation could tighten controls on charter schools.

Prior to legislation, there were 40 authorizers statewide serving 138,949 students, according to the National Association of Charter School Authorizers.

Michigan had the highest number of charter school defaults of any state, according to a 2015 Local Initiatives Support Corporation report on tax-exempt bond issuance.

“The municipal bond market in Michigan would be well-served if authorizers, or those acting on their behalf, would work with organizations underwriting charter school debt to create a more robust screening process to assess non-renewal or closure risk,” Urban said.