

LOS ANGELES UNIFIED SCHOOL DISTRICT

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE

Stephen English, Chair

L.A. City Controller's Office

Pamela Schmidt, Vice-Chair

Early Education Coalition

Quynh Nguyen, Secretary

LAUSD Student Parent

Scott Folsom, Executive Committee

Tenth District PTSA

Stuart Magruder, Executive Committee

American Institute of Architects

Paul Escala

CA Charter School Association

Garrett Francis

Assoc. General Contractors of CA

Elizabeth Lugo

LAUSD Student Parent

Abigail Marquez

L.A. City Mayor's Office

Ron Miller

L.A. Co. Federation of Labor AFL-CIO

John Naimo

L.A. Co. Auditor-Controller's Office

Scott Pansky

L.A. Area Chamber of Commerce

Betty Valles

AARP

Barry Waite

CA Tax Reform Assn.

Susan Linschoten (Alternate)

L.A. Co. Auditor-Controller's Office

Joseph P. Buchman – Legal Counsel

Burke, Williams & Sorensen, LLP

Thomas A. Rubin, CPA

Oversight Committee Consultant

Gary C. Anderson, PhD

Bond Administrator

Daniel Hwang

Administrative Analyst

RESOLUTION 2015-08

BOARD REPORT NO. 375-14/15

**AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC
EXECUTION PLAN TO APPROVE AN INCREASE TO THE CHARTER
AUGMENTATION GRANT FOR THE ACCELERATED CHARTER ELEMENTARY
SCHOOL PROJECT**

WHEREAS, Staff proposes that the Board of Education approve the following amendments to the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to increase the charter augmentation grant to Accelerated Charter Elementary School (ACES) from \$5,000,000 to \$12,900,000, as provided in Board Report 375-14/15, a copy of which is attached hereto in the form it was presented to the BOC and is incorporated herein by reference; and

WHEREAS, The proposed ACES project will be located on 2.29 acres located at the northeast corner of Main Street and Martin Luther King Jr. Boulevard in the City of Los Angeles, across the street from The Accelerated Schools' existing K-12 facility. The project is being developed and constructed by The Accelerated Schools (TAS), the governing non-profit organization and operator of ACES. The project will provide educational facilities for approximately 500 students in pre-kindergarten through sixth grade. The proposed 51,000 square foot project would consist of a two-story building including 21 classrooms, an administration building, multi-purpose building, and lunch shelter. The project also includes a 30,000 square foot play area, surface parking lot and an underground parking structure to be shared with the adjacent TAS facility; and

WHEREAS, The Board allocated \$148,000,000 of current Bond Program funds specifically for charter facilities projects. One of the mechanisms by which the District has provided charter schools with this funding is through the allocation of augmentation grants; and

RESOLUTION 2015-08
AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC
EXECUTION PLAN TO APPROVE AN INCREASE TO THE CHARTER
AUGMENTATION GRANT FOR THE ACCELERATED CHARTER ELEMENTARY
SCHOOL PROJECT

WHEREAS, Given the increased interest for funding by charter schools, staff developed a Charter Augmentation Grant Program (Program) that established process and requirements for the request and allocation of augmentation grants; and

WHEREAS, The Program provides funds to charter schools that need additional funding in order to finance long-term, capital improvement facilities projects. Applicants are required to hold a valid charter, be in good standing, agree to waive the right to submit a *Proposition 39* request for facilities, and contribute a minimum of 65 percent of the total project cost from non-District sources; and

WHEREAS, On May 8, 2012, the Board amended the FSD-SEP to approve a charter augmentation grant for ACES in the amount of \$5,000,000; and authorized staff to negotiate and execute the necessary agreements for the financing of the permanent charter school facility project; and

WHEREAS, In late 2014, ACES informed the District that their estimated project budget increased from \$20,800,000 (prepared in early 2012) to \$37,100,000; and

WHEREAS, ACES has indicated that additional augmentation grant funding is necessary to enable the project to proceed. ACES has requested an increase in their augmentation grant from \$5,000,000 to \$12,900,000, which is 35 percent of the total anticipated project budget, and meets the criteria of the Augmentation Grant Program, which requires the charter school to contribute a minimum of 65 percent of the total project cost from non-District sources; and

WHEREAS, ACES anticipates funding the remainder of the project with Proposition 55 funds provided through the State's Charter School Facilities Program (CSFP) and fundraising efforts; and

WHEREAS, The total anticipated District cost, including costs related to staff oversight to ensure compliance with District guidelines and approvals, including, but not limited to, environmental review, design review, inspection, and the development of necessary agreements is \$13,945,000; and

WHEREAS, The project budget of \$37,100,000 reflects the current budget estimate, including the construction contract amount provided by the selected contractor, Pinner Construction; and

WHEREAS, Although the construction contract amount has been determined, in the event unforeseen conditions arise during the development of the project causing the project costs to increase, District staff will evaluate the cost increases and determine if additional District funding is warranted; and

**RESOLUTION 2015-08
AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC
EXECUTION PLAN TO APPROVE AN INCREASE TO THE CHARTER
AUGMENTATION GRANT FOR THE ACCELERATED CHARTER ELEMENTARY
SCHOOL PROJECT**

WHEREAS, In the event this occurs, in accordance with the Charter Augmentation Grant Program, the District augmentation grant funding will be limited to 35 percent of the total project costs. Staff will inform the Board, via an informative, if any additional augmentation grant funding beyond the \$12,900,000 is required. Funding for any future augmentation grant increases would be provided from Bond Program funds earmarked for charter school facilities projects; and

WHEREAS, The ACES project is anticipated to begin construction in the second quarter of 2015 and be completed by the first quarter of 2017. The project, once complete, will provide a long-term location for ACES, who will waive their rights under *Proposition 39* for the term of the lease; and

WHEREAS, District Staff has concluded that the proposed FSD-SEP amendment will facilitate implementation of the FSD-SEP, and therefore, it will not adversely affect the District's ability to successfully complete the FSD-SEP.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The School Construction Bond Citizens' Oversight Committee (BOC) recommends that the Board: 1) Increase the charter augmentation grant for the ACES project from \$5,000,000 to \$12,900,000, with an additional \$1,045,000 to be allocated toward District oversight for a total project amount of \$13,945,000, as described herein and in the Board Report No. 375-14/15, a copy of which is attached hereto in the form it was presented to the BOC.
2. This resolution shall be transmitted to the Los Angeles Unified School District Board of Education and posted on the BOC's website.
3. That a written response, as required by the Charter and Memorandum of Understanding between the BOC and the Board, be provided to the BOC within 30 days, reporting either an action taken or proposed to be taken in response to this resolution and each recommendation herein.

ADOPTED on February 26, 2015, by the following vote:

AYES: 12

ABSTENTIONS: 0

NAYS: 0

ABSENCES: 2

Stephen English

Stephen English
Chair

Pamela Schmidt

Pamela Schmidt
Vice-Chair



LOS ANGELES UNIFIED SCHOOL DISTRICT

Board of Education Report

Report Number:	375-14/15
Date:	March 10, 2015
Subject:	Amendment to the Facilities Services Division Strategic Execution Plan to Approve an Increase to the Charter Augmentation Grant for the Accelerated Charter Elementary School Project
Responsible Staff:	
Name	Mark Hovatter, Chief Facilities Executive José J. Cole-Gutiérrez, Director
Office/Division	Facilities Services Division Charter Schools Division
Telephone No.	(213) 241-4811 and (213) 241-6926

BOARD REPORT

Action Proposed: Staff proposes that the Board of Education (Board) approve an amendment to the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to increase the charter augmentation grant to Accelerated Charter Elementary School (ACES) from \$5,000,000 to \$12,900,000. The ACES charter augmentation grant will be funded by Bond Program funds earmarked for charter school facilities projects.

Background: On May 8, 2012, the Board amended the FSD-SEP to approve a charter augmentation grant for ACES in the amount of \$5,000,000; and authorized staff to negotiate and execute the necessary agreements for the financing of the permanent charter school facility project. On November 13, 2012, in accordance with the California Environmental Quality Act (CEQA), the Board of Education adopted the Mitigated Negative Declaration and approved the project.

The proposed ACES project will be located on 2.29 acres located at the northeast corner of Main Street and Martin Luther King Jr. Boulevard in the City of Los Angeles, across the street from The Accelerated Schools' existing K-12 facility. The project is being developed and constructed by The Accelerated Schools (TAS), the governing non-profit organization and operator of ACES. The project will provide educational facilities for approximately 500 students in pre-kindergarten through sixth grade. The proposed



LOS ANGELES UNIFIED SCHOOL DISTRICT

Board of Education Report

51,000 square foot project would consist of a two-story building including 21 classrooms, an administration building, multi-purpose building, and lunch shelter. The project also includes a 30,000 square foot play area, surface parking lot and an underground parking structure to be shared with the adjacent TAS facility.

In late 2014, ACES informed the District that their estimated project budget increased from \$20,800,000 (prepared in early 2012) to \$37,100,000. The budget increase is primarily due to the reconfiguration of the site development plan to include underground parking. The original proposal included constructing a multi-level parking structure on property to be acquired. After the completion of environmental studies, it was determined that this property would require extensive remediation, and therefore was not included in the site development plan. The development plan was then reconfigured to include the acquisition of an adjacent property that would allow for additional play area and approximately 25 surface parking spaces, and require approximately 165 spaces to be constructed in an underground parking structure. Additionally, the increase in costs for environmental reviews, management, and construction escalation contributed to the increase in the budget. As a result, ACES has requested an increase in their augmentation grant from \$5,000,000 to \$12,900,000 to enable the project to proceed.

The amended grant request is 35 percent of the total anticipated project budget, and meets the criteria of the Augmentation Grant Program, which requires the charter school to contribute a minimum of 65 percent of the total project cost from non-District sources. ACES anticipates funding the remainder of the project with Proposition 55 funds provided through the State's Charter School Facilities Program (CSFP) and fundraising efforts.

The project has received the required approvals from the Division of State Architect (DSA), California Department of Education (CDE), CEQA, and Department of Toxic Substances Control (DTSC). The project is anticipated to begin construction in the second quarter of 2015 and be completed by the first quarter of 2017. The project is located within Educational Service Center East and Board District 2 (Mónica García).



LOS ANGELES UNIFIED SCHOOL DISTRICT

Board of Education Report

Expected Outcomes:

These actions, if approved, will allow staff to negotiate and enter into any instruments necessary for the construction and operation of a permanent long-term charter facility on the proposed site, and increase the augmentation grant funding from \$5,000,000 to \$12,900,000. The augmentation grant funds will be provided to the charter upon proof that all other non-District funding has been received and/or committed to ensure that funds can be effectively leveraged. The project, once complete, will provide a long-term location for ACES, who will waive their rights under *Proposition 39* for the term of the lease.

Board Options and Consequences:

If the proposed actions are not approved, the augmentation grant would not be increased and ACES will not be able to construct a permanent school facility. ACES would continue to be eligible for the use of District facilities under *Proposition 39*.

Policy Implications:

This action helps facilitate the Board-adopted Facilities Services Division Strategic Execution Plan and is consistent with the District's Charter School Facilities Expansion Policy, adopted on April 10, 2007, which designates program requirements for projects that provide long-term facility solutions as an alternative to the annual *Proposition 39* allocation of District facilities.

Budget Impact:

ACES has requested an increase to their augmentation grant from \$5,000,000 to \$12,900,000. The total anticipated District cost, including costs related to staff oversight to ensure compliance with District guidelines and approvals, including, but not limited to, environmental review, design review, inspection, and the development of necessary agreements is \$13,945,000.

Funding for this project will be provided from Bond Program funds earmarked for charter school facilities projects. Unexpended funds allocated toward District oversight will be returned to the School Upgrade Program (SUP) category of need for charter school facilities at the completion of the project.

Issues and Analysis:

The project budget of \$37,100,000 reflects the current budget estimate, including the construction contract amount provided by the selected contractor, Pinner Construction. Although the construction contract amount has been determined, in the event unforeseen conditions arise during the development of the project causing the project costs to increase, District staff will evaluate the



LOS ANGELES UNIFIED SCHOOL DISTRICT

Board of Education Report

cost increases and determine if additional District funding is warranted. In the event this occurs, in accordance with the Charter Augmentation Grant Program, the District augmentation grant funding will be limited to 35 percent of the total project costs. Staff will inform the Board, via an informative, if any additional augmentation grant funding beyond the \$12,900,000 is required. Funding for any future augmentation grant increases would be provided from Bond Program funds earmarked for charter school facilities projects.

If the Board approves the proposed augmentation grant increase, ACES anticipates funding the remainder of the project with Proposition 55 funds provided through the State CSFP, consisting of a 50 percent grant and a 50 percent matching loan, and fundraising efforts. While the transaction for use of these funds is between the State and charter, the District will become a third party to the CSFP transaction as a result of the statutory obligation that the District hold title to the property and that the charter school enter into a 40-year lease with the District for the property.

Under the State's CSFP, in the event that the charter school defaults in repayment of their matching loan, loses its good standing, and/or has their charter revoked, the District must take action in the following order:

1. If the default is the revocation or non-renewal of the charter, the District must afford the charter school six months to complete the charter review process;
2. Exercise reasonable effort to locate another charter school willing to assume the position of the defaulting charter school;
3. Elect to use the charter school facility as a public school and assume repayment of the loan OR elect not to use the charter school facility and dispose of the leasehold interest in the charter school facility in accordance with the statutory requirements for the disposal of surplus public school sites.



LOS ANGELES UNIFIED SCHOOL DISTRICT

Board of Education Report

**Bond Oversight
Committee
Recommendations:**

This item was considered by the School Construction Bond Citizens' Oversight Committee (BOC) at its meeting on February 26, 2015. Staff has concluded that this proposed SEP amendment will help facilitate implementation of the FSD SEP, and therefore, it will not adversely affect the District's ability to successfully complete the SEP.

Attachments:

- ☐ **Informative**
- ☐ **Desegregation
Impact Statement**



LOS ANGELES UNIFIED SCHOOL DISTRICT Board of Education Report

Respectfully submitted,

APPROVED BY:

RAMON C. CORTINES
Superintendent

MICHELLE KING
Chief Deputy Superintendent

REVIEWED BY:

APPROVED BY:

DAVID HOLMQUIST
General Counsel

☐ Approved as to form.

MARK HOVATTER
Chief Facilities Executive
Facilities Services Division

TONY ATIENZA
Director of Budget Services and
Financial Planning

JOSÉ J. COLE-GUTIÉRREZ
Director, Charter Schools Division
Charter Schools Division

☐ Approved as to budget impact statement.

PRESENTED BY:

KRISZTINA TOKES
Director of Asset Management Branch
Facilities Services Division