

LOS ANGELES UNIFIED SCHOOL DISTRICT

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE

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Joseph P. Buchman – Legal Counsel
Burke, Williams & Sorensen, LLP
Lori Raineri and Keith Weaver – Oversight Consultants
Government Financial Strategies

Timothy Popejoy
Bond Oversight Administrator
Perla Zitle
BOC Staff

RESOLUTION 2020-18

BOARD REPORT NO. 014-20/21

AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC EXECUTION PLAN TO APPROVE A CHARTER AUGMENTATION GRANT FOR THE BRIGHT STAR SCHOOLS RISE KOHYANG MIDDLE SCHOOL PROJECT

WHEREAS, Los Angeles Unified School District's (Los Angeles Unified or District) Staff proposes that the Board of Education (Board) amend the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to approve a charter augmentation grant for the Rise Kohyang Middle School (Rise Kohyang MS) Project (Project) located at 1700 West Olympic Blvd, Los Angeles, CA 90015, in the amount of \$32,793,996 and authority to negotiate and execute reasonable agreements and instruments, as legally permissible, for the financing of this charter augmentation grant Project and to support Bright Star Schools' (Bright Star) implementation of the proposed Project, including taking title to the property; and

WHEREAS, Since 2002, with the passage of Measure K, the Los Angeles Unified has undertaken charter school facilities projects as part of its Bond Program; and

WHEREAS, The Charter Augmentation Grant Program (Program) provides charters with additional funding needed to finance long-term capital improvement facilities projects; and

WHEREAS, Under the current Charter Augmentation Grant Program Guidelines, applicants are required, among other things, to contribute a minimum of 50 percent of the total project cost from non-District sources; and

WHEREAS, Bright Star has requested an augmentation grant in the amount of \$31,093,996 for the construction of a school for approximately 450 students on property they are in escrow to acquire in the Westlake South neighborhood of Los Angeles; and

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WHEREAS, This action, if approved, will allow staff to negotiate and enter into a 40-year lease, development agreement and any other related instruments with Bright Star for the allocation of the augmentation grant funds; and

WHEREAS, If the proposed action is not approved, the Rise Kohyang MS would continue to operate in non-Field Act compliant leased facilities or request a colocation under Proposition 39 on a District site; and

WHEREAS, This action is consistent with the District's Charter School Facilities Expansion Program 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 (Board Report No. 304-06/07); and

WHEREAS, The total funding will be \$32,793,996, which includes cost for District oversight to ensure compliance with District guidelines and approvals, including but not limited to, Division of State Architect (DSA) inspection during construction, environmental review, design review, and development of reasonable agreements and instruments; and

WHEREAS, In the event the Project costs will increase, and the cost increases cannot be reduced by cost saving measures, Bright Star will be solely responsible for funding the increase; and

WHEREAS, The proposed Project, once completed, will help ensure that the students attending Rise Kohyang MS are provided with a safe and healthy environment, and up-to-date facilities that promote learning; and

WHEREAS, As of the 2019-2020 school year, Bright Star served approximately 425 students in grades 6th through 8th on a private leased facility located at 3020 Wilshire Blvd., 2nd Floor, Los Angeles, CA 90010; and

WHEREAS, The proposed 46,000 square foot Project will consist of a two-story classroom building with 20 classrooms, a library/media room, administrative offices, storage, lunch area, food service area, a multi-purpose room, an outdoor area for recess, and an underground parking garage; and

WHEREAS, If the Board approves the proposed \$31,093,996 augmentation grant, Bright Star anticipates funding the remainder of the \$62,187,992 project budget with Proposition 1D funds provided through the State CSFP, consisting of a grant and a loan; and

WHEREAS, 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 its 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, which will require funding the remaining work to complete construction, and assume repayment of the loan OR elect not to use the charter school facility

Bond Oversight Committee

333 S. Beaudry Avenue, 23rd Floor, Los Angeles, CA 90017 ♦ Phone: 213. 241.5183 ♦ Fax: 213.241.8354 ♦ www.laschools.org/bond

RESOLUTION 2020-18

AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC EXECUTION PLAN TO APPROVE A CHARTER AUGMENTATION GRANT FOR THE BRIGHT STAR SCHOOLS RISE KOHYANG MIDDLE SCHOOL PROJECT

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; and

WHEREAS, Los Angeles Unified 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

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The School Construction Citizens' Bond Oversight Committee recommends that the Board amend the FSD SEP to approve a charter augmentation grant for the proposed Project located at 1700 West Olympic Blvd, Los Angeles, CA 90015, in the amount of \$32,793,996 and authority to negotiate and execute reasonable agreements and instruments, as legally permissible, for the financing of this charter augmentation grant Project and to support Bright Star's implementation of the proposed Project, including taking title to the property, as described in Board Report 014-20/21, a copy of which is attached hereto in the form it was presented to the BOC and is incorporated herein by reference.
2. This resolution shall be transmitted to the Los Angeles Unified Board and posted on the Bond Oversight Committee's website.
3. Los Angeles Unified is directed to track the above recommendation and to report on the adoption, rejection, or pending status of the recommendations as provided in section 6.2 of the Charter and Memorandum of Understanding between the Bond Oversight Committee and Los Angeles Unified.

ADOPTED on August 13, 2020, by the following vote:

AYES: **10**

ABSTENTIONS: **0**

NAYS: **1**

ABSENCES: **3**

/Rachel Greene/

Rachel Greene
Chair

/Chris Hannan/

Chris Hannan
Secretary



Board of Education Report

File #: Rep-014-20/21, **Version:** 1

Amendment to the Facilities Services Division Strategic Execution Plan to Approve a Charter Augmentation Grant for the Bright Star Schools Rise Kohyang Middle School Project

August 25, 2020

Facilities Services Division and Charter Schools Division

Action Proposed:

Staff proposes that the Board of Education (Board) amend the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to approve a charter augmentation grant for the Rise Kohyang Middle School (Rise Kohyang MS) Project (Project) located at 1700 West Olympic Blvd, Los Angeles, CA 90015, in the amount of \$32,793,996 and authority to negotiate and execute reasonable agreements and instruments, as legally permissible, for the financing of this charter augmentation grant Project and to support Bright Star Schools' (Bright Star) implementation of the proposed Project, including taking title to the property.

Background:

Since 2002, with the passage of Measure K, the Los Angeles Unified School District (Los Angeles Unified or District) has undertaken charter school facilities projects as part of its Bond Program. In total, approximately \$380 Million of Bond Program funds have been targeted specifically for charter school facilities projects. Presently, approximately \$96 Million remains targeted for additional charter school facilities projects.

For approximately 14 years, the District has supported charter schools' facilities projects with augmentation grants, which were initially provided on an "as-requested" basis. Due to an increased interest in the grant, the Charter Augmentation Grant Program (Program) was formalized in December 2011. The Program provides charters with additional funding needed to finance long-term capital improvement facilities projects. The intent of the Program is to provide equal access to all charter schools, and to leverage funding to the maximum extent possible with other non-District sources.

Under the current Charter Augmentation Grant Program Guidelines, applicants are required, among other things, to contribute a minimum of 50 percent of the total project cost from non-District sources. Applicants are also required to provide the District with fee-interest in the property, hold a valid charter authorized by the District, be in good standing, and agree to waive Proposition 39 rights to facilities. District staff reviews the applications, and if the minimum score (70 points) is achieved, the proposal is forwarded to the Bond Citizens' Oversight Committee (BOC) for consideration and the Board for approval. Once the Board approves a charter augmentation grant, funding will be provided to the charter upon proof that all other non-District funding has been received and/or committed. This practice helps ensure funds are leveraged more effectively and that projects can be successfully completed. Since the Program was formalized, augmentation grants valued at over \$134 Million have been approved by the Board to support eight charter school facilities projects.

The proposed Project will be designed, developed and constructed by charter operator Bright Star. The proposal for the Rise Kohyang MS Project was determined to meet all eligibility requirements for funding. Bright Star has requested an augmentation grant in the amount of \$31,093,996 for the construction of a school for approximately 450 students on property they are in escrow to acquire in the Westlake South neighborhood

of Los Angeles. Bright Star anticipates funding the remainder of the \$62,187,992 project budget with funds provided through the State Charter School Facilities Program (CSFP), consisting of a grant and a loan. The proposed Project is located within the boundaries of Downtown/MacArthur Park Community of Schools, Local District Central, and Board District 2 (Mónica García).

Expected Outcomes:

This action, if approved, will allow staff to negotiate and enter into a 40-year lease, development agreement and any other related instruments with Bright Star for the allocation of the augmentation grant funds. The augmentation grant funds will be provided upon proof that all other non-District funding has been received and/or committed to ensure that funds can be effectively leveraged and that the proposed Project will be completed.

Board Options and Consequences:

If the proposed action is not approved, augmentation grant funds would not be allocated to Bright Star. The Rise Kohyang MS would continue to operate in non-Field Act compliant leased facilities or request a colocation under Proposition 39 on a District site.

Policy Implications:

This action is consistent with the District's Charter School Facilities Expansion Program 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 (Board Report No. 304-06/07).

Budget Impact:

Bright Star has requested an augmentation grant for \$31,093,996. The total funding will be \$32,793,996, which includes cost for District oversight to ensure compliance with District guidelines and approvals, including but not limited to, Division of State Architect (DSA) inspection during construction, environmental review, design review, and development of reasonable agreements and instruments. Funding for the proposed Project will be provided from Bond Program funds earmarked for charter school facilities projects. Bright Star anticipates funding its portion of \$31,093,996 with funds provided through the State CSFP.

As is the case with all construction projects, there is the potential that project costs will increase. In the event this should occur, and the cost increases cannot be reduced by cost saving measures, Bright Star will be solely responsible for funding the increase. Due to the limited amount of available funding in the Program, the District, at this time, can only commit to funding the District's portion of the total project budget of \$32,793,996. Bright Star has been advised that there may not be an opportunity to fund any additional increases beyond the current proposed Project cost. Prior to the start of construction, the District will determine whether Bright Star has sufficient funds to proceed with the construction of the proposed Project, and may reassess whether additional funds are available in the Program to allocate an increase to the augmentation grant amount. However, any additional funding provided will not exceed 50 percent of the total project costs, as set forth in the Program Guidelines. Bright Star would still be required to contribute a minimum of 50 percent of the total project cost from non-District sources, including any remaining shortfall in the project budget. Staff will return to the Board to request authorization for any requested increase. Funding for any future augmentation grant increase would be provided from Bond Program funds targeted for charter school facilities.

Student Impact:

The proposed Project, once completed, will help ensure that the students attending Rise Kohyang MS are provided with a safe and healthy environment, and up-to-date facilities that promote learning.

Issues and Analysis:

As of the 2019-2020 school year, Bright Star served approximately 425 students in grades 6th through 8th on a private leased facility located at 3020 Wilshire Blvd., 2nd Floor, Los Angeles, CA 90010. The lease of the private facility expires at the end of the 2021-2022 school year, and Bright Star has indicated the lease will most likely not be extended by the property owner. Bright Star will continue to seek alternative lease options and may exercise their rights under Proposition 39 to request use of District facilities to accommodate its students prior to the completion of the proposed Project. The proposed Project will provide Bright Star a permanent facility to continue to serve its existing students without the need to co-locate at a District school site under Proposition 39. Bright Star's approved charter petition for the Rise Kohyang Middle School allows for enrollment up to 450 students in grade levels 6th through 8th. The proposed Project will have a capacity of up to 450 students in grade levels 6th through 8th to accommodate the full enrollment capacity as per its approved charter petition. The term of the approved charter petition began on July 1, 2016 and expires on June 30, 2021.

The proposed Project includes the construction of a permanent middle school facility to be built on approximately one-acre of land located at 1700 West Olympic Blvd, Los Angeles, CA 90015, for which Bright Star is currently in escrow to purchase. The proposed Project will provide permanent educational facilities for approximately 450 students in 6th through 8th grades. The proposed 46,000 square foot Project will consist of a two-story classroom building with 20 classrooms, a library/media room, administrative offices, storage, lunch area, food service area, a multi-purpose room, an outdoor area for recess, and an underground parking garage. The proposed Project is required to receive DSA, California Department of Education (CDE) and if applicable, Department of Toxic Substances Control, and California Environmental Quality Act (CEQA) approvals and must be constructed to be Field Act compliant. The proposed Project is anticipated to start construction during the first quarter of 2023 and be completed by the fourth quarter of 2024. Upon completion, Bright Star will relocate their students to the new site. The Project would provide a long-term location for Bright Star, who would waive their rights under Proposition 39 for the term of the lease.

If the Board approves the proposed \$31,093,996 augmentation grant, Bright Star anticipates funding the remainder of the \$62,187,992 project budget with Proposition 1D funds provided through the State CSFP, consisting of a grant and a loan. 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 augmentation grant requirement 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 its 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, which will require funding the remaining work to complete construction, 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.

Bond Oversight Committee Recommendations:

This item was considered by the BOC at its meeting on August 13, 2020. 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:

Attachment A - BOC Resolution

Informatives:

None

Submitted:

07/31/20

RESPECTFULLY SUBMITTED,

APPROVED BY:

AUSTIN BEUTNER
Superintendent

MEGAN K. REILLY
Deputy Superintendent
Business Services & Operations

REVIEWED BY:

APPROVED BY:

DAVID HOLMQUIST
General Counsel

MARK HOVATTER
Chief Facilities Executive
Facilities Services Division

___ Approved as to form.

REVIEWED BY:

APPROVED BY:

TONY ATIENZA
Director, Budget Services and Financial Planning

JOSÉ COLE-GUTIÉRREZ
Director
Charter Schools Division

___ Approved as to budget impact statement.

PRESENTED BY:

AARON BRIDGEWATER
Director of Facilities Planning & Development
Facilities Services Division