



LOS ANGELES UNIFIED SCHOOL DISTRICT

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Report Number:	014 – 12/13
Date:	August 21, 2012
Subject:	Amendment to the Facilities Services Division Strategic Execution Plan to Approve a Charter Augmentation Grant for the Monsenor Oscar Romero Charter School Project and Authorization to Execute a Development and Lease Agreement for the Financing, Construction and Operation of a Permanent Facility on a Portion of the Berendo Middle School Campus
Responsible Staff:	
Name	Mark Hovatter, Interim Chief Facilities Executive José J. Cole-Gutiérrez, Director, Charter Schools Division
Office/Division	Facilities Services Division Charter Schools Division
Telephone No.	(213) 241-4811 (213) 241-5513

BOARD REPORT

Action Proposed: Staff proposes that the Board of Education approve an amendment to the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to approve an augmentation grant for the Monsenor Oscar Romero Charter School (MORCS) project in the amount of \$4,400,000; and authorize the Chief Facilities Executive, or his designee, to negotiate and execute the lease, development agreement, and any other related instruments necessary for the financing, construction and operation of a permanent long-term charter school facility on a portion of the Berendo Middle School campus.

Background: The Board of Education (Board) allocated \$147.5 Million 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. In the past, augmentation grants have been provided on an “as requested” basis. Given the increased interest for funding by charter schools, staff developed a Charter Augmentation Grant Program (Program) that established the process and requirements for the request and allocation of augmentation grants. The intent of the Program is to ensure the District provides all potential charter schools with equal access to these funds while leveraging them to the maximum extent possible



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with other funding sources.

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 *Proposition 39* rights to facilities, and contribute a minimum of 65 percent of the total project cost from non-District sources. Proposals from charter schools that meet these specified requirements are evaluated based on the criteria identified in the Program guidelines: Financing Plan, Development Team and Concept, Academic Performance, Budget and Operations, and Student, Family and Community Outreach and Engagement. Proposals that receive a minimum score of 70 percent qualify to be eligible for funding. Since its inception in December 2011, staff has recommended two augmentation grants that were approved by the Board with a total value of \$7,037,211.

The proposal for MORCS was evaluated by District staff and received the required minimum score of 70 percent. MORCS has requested an augmentation grant in the amount of \$4,400,000 for the construction of a 16-classroom facility located on a portion of the Berendo Middle School campus serving approximately 405 students in 6th - 8th grades. The total project cost is approximately \$17,900,000. The proposed project is located in Educational Service Center East and Board District 2 (Mónica García).

On October 13, 2009 (BOE Report #99-09/10), the Board authorized staff to execute a Preliminary Agreement with MORCS that set forth the conditions for allowing MORCS to rehabilitate and/or expand the Berkeley Early Education Center (Berkeley EEC), a closed campus. The executed Preliminary Agreement was required as part of MORCS's application for State Charter School Facility Program (CSFP) funding. MORCS was subsequently awarded \$13,464,960 in CSFP funds. After the Preliminary Agreement was executed, it was determined that Berkeley EEC was not a viable site for the construction of a 400 student middle school due to its limited size. Staff is requesting that the Board authorize the construction of a permanent, long-term charter facility on the Berendo Middle School campus in lieu of the previously authorized Berkeley EEC site. MORCS is currently co-located on the Berendo campus through *Proposition 39*.



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Expected Outcomes: This action, if approved, will allow staff to negotiate and enter into a lease, development agreement and any other related instruments with MORCS for the release of the augmentation grant funds to construct a permanent long-term charter school facility on a portion of the Berendo Middle School campus. 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 and that the project will be completed. Upon completion of the project, the District will be relieved of its *Proposition 39* obligation to MORCS.

Board Options and Consequences: If the proposed actions are not approved, an augmentation grant would not be allocated to MORCS and the District will not enter into a development agreement with MORCS to develop a permanent long-term charter school facility at Berendo Middle School.

Policy Implications: This action 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: MORCS has requested an augmentation grant in the amount of \$4,400,000. The total 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, and the development of necessary agreements, is \$4,650,000. 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 charter bond funds at the completion of the project.

Issues and Analysis: During the 2011-12 school year, MORCS was located on two campuses: the 6th grade, consisting of 106 students, was housed in six classrooms on the Berendo Middle School campus through *Proposition 39* and the 7th and 8th grades were housed on a private site. MORCS will consolidate their entire student population on the Berendo Middle School campus for the 2012-13 school year through *Proposition 39* in 16 classrooms consisting primarily of portable buildings.



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The scope of the proposed MORCS project includes the construction of a permanent long-term charter facility and the removal of 14 portable classrooms from the Berendo Middle School campus. This will allow space previously occupied by the portable buildings to be repurposed into open space for the campus.

MORCS is proposing to construct a new middle school on the northeast corner of the Berendo MS campus. The proposed project would serve students in 6th – 8th grades and would have a maximum capacity of 405 students. It would consist of a two-story 16 classroom building and a one-story administration/multi-purpose building totaling approximately 30,000 square feet. The project would also include a lunch shelter, parking and off-street student drop-off and the removal of 14 portable classrooms. The project is required to receive Division of State Architect (DSA), California Department of Education (CDE) and if applicable, Department of Toxic Substances Control and California Environmental Quality Act approvals and will be Field Act compliant. The project is anticipated to start construction during the fourth quarter of 2013 and be completed by the third quarter of 2015. The proposed plan to locate MORCS on the Berendo Middle School campus has been shared with the principal and Educational Service Center office. The charter will be required to organize and host community meetings to inform stakeholders of their project if the augmentation grant is approved by the Board.

If the Board approves the proposed \$4,400,000 augmentation grant, MORCS anticipates funding the remainder of the \$17,900,000 project budget with Proposition 1D funds provided through the State CSFP, consisting of a 50 percent grant and a 50 percent matching 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 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:



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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.

**Bond Oversight
Committee
Recommendations:**

This item was considered by the School Construction Bond Citizens' Oversight Committee (BOC) at its meeting on August 15, 2012. The BOC adopted the attached resolution by a vote of X ayes and X nays.

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:

N/A

Informative

**Desegregation
Impact Statement**



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Respectfully submitted,

APPROVED BY:

DR. JOHN E. DEASY
Superintendent

MICHELLE KING
Senior Deputy Superintendent
School Operations

REVIEWED BY:

APPROVED BY:

DAVID HOLMQUIST
General Counsel

MARK HOVATTER
Interim Chief Facilities Executive
Facilities Services Division

Approved as to form.

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

TONY ATIENZA
Director of Budget Services and
Financial Planning (Interim)

PRESENTED BY:

KRISZTINA TOKES
Director of Asset Management Branch
Facilities Services Division

Approved as to budget impact statement.