

LOS ANGELES UNIFIED SCHOOL DISTRICT

Board of Education Report



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| Report Number: | 237 – 11/12 |
| Date: | May 8, 2012 |
| Subject: | Amendment to the Facilities Services Division Strategic Execution Plan to Approve Charter Augmentation Grants for Granada Hills Charter School and Accelerated Charter Elementary School Expansion Projects |
| Responsible Staff: | |
| Name | Kelly J. Schmader, 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 augmentation grants to Granada Hills Charter High School (Granada Hills) and Accelerated Charter Elementary School (ACES) in the amount of \$2,037,211 and \$5,000,000,000, respectively, and authorize the Chief Facilities Executive, or his designee, to enter into negotiations and execute the necessary agreements for the financing of permanent charter school facilities.

Background: The Board of Education (Board) allocated \$147.5 Million of current Bond Program funds (Measures K, R, and Y) 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 with other funding sources. The Program was made publicly available via the Charter Schools Division’s website in December 2011.

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



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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.

The proposals for Granada Hills and ACES were evaluated by District staff and each received the required minimum score of 70 percent. Granada Hills has requested an augmentation grant in the amount of \$2,037,211 for the construction of a New Media and Technology Center (Center). The Center will serve existing 9th-12th grade students and will create an additional 200 seats to meet their existing demand. The total project cost is approximately \$5.8 Million. The award of the augmentation grant is contingent on the execution of all necessary agreements, including a Facilities Use Agreement for the Granada Hills campus. The project is located in Local District 1 and Board District 3 (Tamar Galatzan).

ACES has requested an augmentation grant in the amount of \$5,000,000 for the construction of a 21-classroom facility serving approximately 470 students in Pre-K – 6th grades. The total project cost is approximately \$20.8 Million. The project is located in Local District 5 and Board District 2 (Monica García).

Expected Outcomes: This action, if approved, will allow staff to negotiate and enter into a lease, development agreement and any other related instruments with Granada Hills and ACES for the release of the augmentation grant funds. The augmentation grant funds will be provided to the charters upon proof that all other non-District funding has been received and/or committed to ensure that funds can be effectively leveraged and that projects will be completed.

Board Options and Consequences: If the proposed action is not approved, augmentation grants would not be allocated to Granada Hills or ACES.

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: Granada Hills and ACES have requested augmentation grants in the amount of \$2,037,211 and \$5,000,000, respectively. Funding for these projects will be provided from local bond funds allocated for long-term charter facilities solutions as part of the 2011 Bond Program Funding Plan (BOE Report #170-10/11). In addition, costs related to staff



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oversight to ensure compliance with District guidelines and approvals, including but not limited to environmental review, design review, and the development of necessary agreements, will also be funded from the local bond funds allocated for charter facilities at a cost of 5 percent per project. As a result, the total funding for the allocation of the grant and District oversight is \$5,250,000 for ACES and \$2,139,071 for Granada Hills. Unexpended funds allocated toward District oversight will be returned to Charter Bond funds at the completion of the project.

Issues and Analysis: ACES

On February 26, 2002, the Board authorized staff to negotiate and execute necessary agreements with The Accelerated School (TAS), a charter operated by The Accelerated School Foundation, for the construction of a K-12 facility located at 4000 South Main Street in Los Angeles. Under the terms of these agreements, the District owns the land and has a long-term lease with TAS to utilize the property. The Board also authorized the allocation of approximately \$28 Million to the project and a loan of up to \$11.3 Million to bridge any potential funding shortfalls. A loan was given to TAS in the amount of \$11.3 Million in June 2004 that required TAS to make quarterly payments. TAS defaulted on the loan in October 2005 when they were unable to make one of these quarterly scheduled payments and requested that the District work with them to restructure the loan agreement. TAS continued to make intermittent payments while the loan agreement was being restructured and once restructured, has not missed any payments, is current on their loan, and is in good standing with the terms of its charter.

ACES, a charter also operated by The Accelerated School Foundation, is proposing to expand their facility by acquiring property located at 115 East Martin Luther King Junior Boulevard, adjacent to the existing K-12 facility. ACES will construct and operate a 21-classroom facility serving approximately 470 students in pre-kindergarten through sixth grades. The proposed 53,190 square foot project consists of a two-story classroom building, administrative and support space, a library, multipurpose room, lunch shelter and a service kitchen. The project also includes approximately 23,000 square feet of play yard and a parking structure. The project is anticipated to start construction during the first quarter 2013 and be completed by the second quarter 2014.

ACES anticipates funding the project with Proposition 55 funds provided through the State Charter School Facilities Program (CSFP), consisting of a 50 percent grant and a 50 percent loan. While the transaction for use of these funds is between the State and ACES, the District may 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



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property. ACES' charter was approved by the Board on June 23, 2009. 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.

Granada Hills

The Granada Hills proposal is to construct a New Media and Technology Center (Center) on the Granada Hills campus, which is owned by the District and converted to a charter school in July 2003. The Center will serve existing 9th-12th grade students and will create an additional 200 long-term facility seats to meet their existing demand. The Center will consist of a 17,000 square foot, two-story building designed to house six classrooms that will accommodate a variety of labs, such as an Audio Visual Recording Studio, Broadcast and Video Production, Cartooning and Animation, and also include storage rooms, a multi-purpose meeting and presentation space, and restroom facilities for the adjacent blacktop and play fields. The project is anticipated to start construction during the third quarter 2013 and be completed by the second quarter 2014.

Granada Hills anticipates funding the remainder of construction from its October 14, 2010 issuance of Qualified School Construction Bonds and from the school's operational funds.

**Bond Oversight
Committee
Recommendations:**

This item was considered by the School Construction Bond Citizens' Oversight Committee (BOC) at its meeting on April 18, 2012. The BOC adopted the attached resolution by a vote of 8 ayes and 0 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



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**Desegregation
Impact Statement**

Respectfully submitted,

APPROVED BY:

DR. JOHN E. DEASY
Superintendent

MICHELLE KING
Senior Deputy Superintendent
School Operations

REVIEWED BY:

APPROVED &
PRESENTED BY:

DAVID HOLMQUIST
General Counsel

Approved as to form.

KELLY J. SCHMADER
Chief Facilities Executive
Facilities Services Division

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

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

Approved as to budget impact statement.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE**

Stephen English, Chair
L.A. City Controller's Office

John Naimo, Vice Chair
L.A. Co. Auditor-Controller's Office

Pamela Schmidt, Secretary
Early Education Coalition

Maria Cabildo, Executive Committee
LAUSD Student Parent

Ilene Ashcraft, Executive Committee
Tenth District PTSA

Bill Brewington
Thirty-First District PTSA

Eva Hain
AARP

James Herr
L.A. Chamber of Commerce

Joan Sullivan
L.A. Mayor's Office

John Hakel
Assoc. General Contractors of CA

Paul Escala
CA Charter School Association

Quynh Nguyen
LAUSD Student Parent

Robbie Hunter
L.A. County AFL-CIO

Elizabeth Lugo
LAUSD Student Parent (Alternate)

Becki Nadybai
L.A. Mayor's Office (Alternate)

Wendy Watanabe
L.A. Co. Auditor-Controller's
Office (Alternate)

(Vacant)
American Institute of Architects

(Vacant)
California Tax Reform

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 2012-15

BOARD REPORT NO. 237-11/12

**Amendment to the Facilities Services Division Strategic Execution Plan to Approve Charter
Augmentation Grants for Granada Hills Charter School and Accelerated Charter Elementary School
Expansion Projects**

WHEREAS, District staff proposes that the Board of Education approve an amendment to the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to approve augmentation grants to Granada Hills Charter High School (Granada Hills) and Accelerated Charter Elementary School (ACES) in the amount of \$2,037,211 and \$5,000,000, respectively, and authorize the Chief Facilities Executive, or his designee, to enter into negotiations and execute the necessary agreements for the financing of permanent charter school facilities; and

WHEREAS, The Board of Education (Board) allocated \$147.5 Million of current Bond Program funds (Measures K, R, and Y) 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

WHEREAS, 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; 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 *Proposition 39* rights to facilities, and contribute a minimum of 65 percent of the total project cost from non-District sources; and

WHEREAS, This action, if approved, will allow staff to negotiate and enter into a lease, development agreements and any other related instruments with Granada Hills and ACES for the release of the augmentation grant funds. The augmentation grant funds will be provided to the charters upon proof that all other non-

Resolution 2012-15

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Amendment to the Facilities Services Division Strategic Execution Plan to Approve Charter Augmentation Grants for Granada Hills Charter School and Accelerated Charter Elementary School Expansion Projects
April 18, 2012

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District funding has been received and/or committed to ensure that funds can be effectively leveraged and that projects will be completed; and,

WHEREAS, the FSD has concluded (1) that amending the FSD SEP to make augmentation grants to Granada Hills Charter High School (Granada Hills) and Accelerated Charter Elementary School (ACES) in the amount of \$2,037,211 and \$5,000,000, respectively, will facilitate implementation of the FSD SEP, and (2) that the proposed amendment 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 of Education adopt an amendment to the FSD-SEP to approve augmentation grants to Granada Hills Charter High School (Granada Hills) and Accelerated Charter Elementary School (ACES) in the amount of \$2,037,211 and \$5,000,000, respectively, and authorize the Chief Facilities Executive, or his designee, to enter into negotiations and execute the necessary agreements for the financing of permanent charter school facilities as described herein and in Board Report No. 237-11/12, 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 District and the BOC shall be provided to the BOC within 30 days, reporting either action taken or proposed to be taken in response to this resolution and each recommendation herein.


ADOPTED on April 18, 2012 by the following vote:

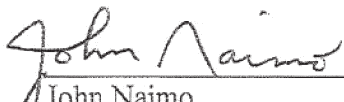
AYES: 8

ABSTAIN: 0

NAYS: 0

ABSENT: 5


Steve English
Chair


John Naimo
Vice Chair