



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Board of Education Report

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<b>Report Number:</b>	318 – 12/13
<b>Date:</b>	June 18, 2013
<b>Subject:</b>	Amendment to the Facilities Services Division Strategic Execution Plan to Approve a Charter Augmentation Grant for the Camino Nuevo Charter Academy Project and Authorization to Negotiate and Execute All Agreements Necessary for the Financing, Construction and Operation of a Permanent Charter School Facility
<b>Responsible Staff:</b>	
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) 241-6296

### 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 Camino Nuevo Charter Academy (Camino Nuevo) project in the amount of \$9,377,000, including \$450,000 for District costs; and authorize the Chief Facilities Executive, or his designee, to negotiate and execute the all agreements necessary for the financing, construction and operation of a permanent, long-term charter school facility.

**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 with other funding sources.



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The Program provides funds to charter schools that need additional funding for the construction of 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, provide the District fee-interest in the property, 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, the Board has approved three augmentation grants that with a total value of \$11,440,000.

The proposal for Camino Nuevo was evaluated by District staff and met the eligibility requirements for funding. Camino Nuevo has requested an augmentation grant in the amount of \$8,927,000 for the construction of a 31-classroom facility that will serve approximately 480 students in kindergarten through 8<sup>th</sup> grades. The project is located on a 2.2 acre site owned by Camino Nuevo located at 3400 West 3<sup>rd</sup> Street in Los Angeles. The total project cost is approximately \$39,500,000. The proposed project is located in Educational Service Center East and Board District 2 (Mónica García).

**Expected Outcomes:** This action, if approved, will allow staff to negotiate and enter into all agreements necessary with Camino Nuevo for the release of the augmentation grant funds to construct a permanent long-term charter school facility. 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, that the project will be completed and fee title has been conveyed to the District under terms and conditions reasonably acceptable to the District. Upon completion of the project, the District will be relieved of its *Proposition 39* obligation to Camino Nuevo so long as Camino Nuevo occupies the facility.

**Board Options and Consequences:** If the proposed actions are not approved, an augmentation grant would not be allocated to Camino Nuevo.



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**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:** Camino Nuevo has requested an augmentation grant in the amount of \$8,927,000. 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 approximately \$450,000 which together with the augmentation grant will result in a total of \$9,377,000. 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:** Camino Nuevo is proposing to build a 31-classroom facility totaling approximately 47,000 square feet, including dance and art classrooms, computer and science labs, administration space, a multi-purpose room, outdoor play space and parking. The facility will serve approximately 480 students in kindergarten through eighth grades.

The project will be constructed on a 2.2 acre site acquired by Camino Nuevo with a Charter School Facilities Program (CSFP) advance apportionment. The project has received the required approvals from the Division of State Architect, California Department of Education, Department of Toxic Substances Control and California Environmental Quality Act approvals and will be Field Act compliant. The award of the augmentation grant is contingent upon the State Allocation Board authorizing the transfer of title from Camino Nuevo to the District. The project is anticipated to start construction during the third quarter of 2013 and be completed by the third quarter of 2014.

If the Board approves the proposed \$8,927,000 augmentation grant, Camino Nuevo anticipates funding the remainder of the approximately \$30,500,000 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



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become a third party to the CSFP transaction as a result of the District's fee interest in 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.

**Bond Oversight  
Committee  
Recommendations:**

This item was considered by the School Construction Bond Citizens' Oversight Committee (BOC) at its meeting on May 15, 2013. The BOC adopted the attached resolution by a vote of 9 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

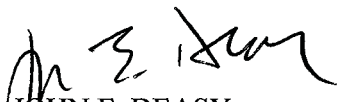
**Informative**

**Desegregation  
Impact Statement**



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Respectfully submitted,

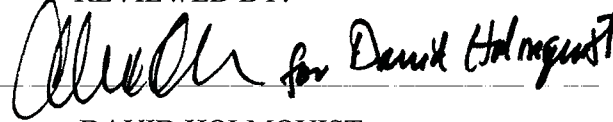
  
DR. JOHN E. DEASY  
Superintendent

APPROVED BY:



MICHELLE KING  
Senior Deputy Superintendent  
School Operations

REVIEWED BY:



DAVID HOLMQUIST  
General Counsel

APPROVED BY:



MARK HOVATTER  
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

PRESENTED BY:



KRISZTINA TOKES  
Director of Asset Management Branch  
Facilities Services Division

☒ Approved as to budget impact statement.