



Board of Education Report

File #: Rep-190-17/18, **Version:** 1

Authorization to Increase the Charter Augmentation Grant for the Ocean Charter School Panama Street K-8 School Project
November 14, 2017
Facilities Services Division and Charter Schools Division

Action Proposed:

Staff proposes that the Board of Education (Board) authorize a \$10,272,746 increase to the charter augmentation grant for the Ocean Charter School (Ocean) Panama Street K-8 School Project (Project), which will increase the current authorized augmentation grant amount from \$25,791,888 to \$36,064,634.

The updated value of the augmentation grant is exactly 50 percent of Ocean's overall project budget of \$72,129,268. The total project budget was recently updated to reflect the receipt of the construction bid, which was higher than previously estimated. The proposed increase to the augmentation grant will enable Ocean to award the construction contract to the lowest responsible bidder. The augmentation grant, including the proposed increase, is funded by Bond Program funds earmarked for charter school facilities projects.

Background:

The Board has taken several actions in support of Ocean's Project. On April 12, 2016, the Board approved an augmentation grant for \$25,791,888 to support Ocean's proposal to develop a permanent school facility on a 2.1 acre site that Ocean intended to acquire, and authorized staff to negotiate and execute the necessary agreements for the financing of the Project (Board Report No. 341-15/16). Subsequently, on January 10, 2017, the Board adopted a Resolution to exempt the Project from local land use regulations (Board Report No. 311-16/17). At the same meeting, the Board also adopted the Mitigated Negative Declaration (Board Report No. 312-16/17) and approved the Project (Board Report No. 313-16/17).

The Charter Augmentation Grant Program provides funds to charter schools that need additional funding in order to finance long-term, capital improvement facilities projects. Under the current Grant Guidelines, applicants are required, among other things, to contribute a minimum of 50 percent of the total project cost from non-District sources. The proposed increase complies with the Grant Guidelines, the \$36,064,634 in augmentation grant funds represents exactly 50 percent of Ocean's updated overall project budget, which is \$72,129,268. The updated project budget reflects the construction bid from the selected lowest bidder, Pinner Construction. Should the project encounter unforeseen conditions that necessitate additional funding, Ocean may request additional bond funds which will require a separate Board action because it will exceed the Grant Guidelines.

The Project is being developed and constructed by Ocean, on property acquired by Ocean at 12870 and 12908 Panama Street in the Del Rey neighborhood in the City of Los Angeles. The proposed 94,000 square foot project consists of a two-story classroom building including 26 classrooms, an administration building, a multi-purpose building, lunch shelters, outdoor play space and an underground parking garage with approximately 60 parking spaces. Approximately 530 students in kindergarten through eighth grade will be accommodated at this new school once construction is completed. Ocean anticipates starting construction in the first quarter of 2018 and completing construction by the second quarter of 2019.

Ocean currently serves approximately 500 students in grades kindergarten through 8th grades on two distinct campuses. Kindergarten through 3rd grades are located on a leased site in the Mar Vista community. The 4th through 8th grade students are co-located at Westchester Enriched Sciences Magnets (WESM) through Proposition 39.

This Project is located within Local District West and Board District 4 (Nick Melvoin).

Expected Outcomes:

Staff anticipates that the Board will authorize staff's proposal to increase the augmentation grant for the Ocean Project from \$25,791,888 to \$36,064,634. The Project, once complete, will provide a long-term location for Ocean, who will waive their rights under Proposition 39 for the term of the lease.

Board Options and Consequences:

If the proposed action is not approved, the augmentation grant will not be increased, Ocean will not be able to construct a permanent school facility on property recently acquired nor obtain their State CSFP funding. Moreover, Ocean would continue to be eligible for the use of District facilities under Proposition 39, and could further impact other campuses by requesting additional facilities for their Kindergarten through 3rd grades which are currently at their Mar Vista leased site.

Policy Implications:

This action helps facilitate the Board-adopted Facilities Services Division (FSD) Strategic Execution Plan (SEP) 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:

The proposal increases the augmentation grant for the Ocean Project from \$25,791,888 to \$36,064,634 or an increase of \$10,272,746. The increase is primarily attributed to a construction bid that was higher than the initial augmentation grant award. Also, the increase is partially attributable to other factors identified during the design phase. Such factors include the Division of the State Architect requirement to construct a mat foundation under the buildings and parking garage, the installation of a passive methane mitigation system since the site is located in methane zone, and additional off-site improvements.

The District's 50 percent funding for this project is from Bond Program funds earmarked for charter school facilities projects.

Student Impact:

The proposed Project, once completed, will help ensure that the students attending Ocean are provided with a safe and healthy environment, and up-to-date facilities that promote learning. Students will be provided with new permanent educational facilities consisting of a two-story classroom building including 26 classrooms, an administration building, a multi-purpose building, lunch shelters, outdoor play space and an underground parking garage with approximately 60 parking spaces.

According to Ocean's 2015-2016 school report card, 54 percent of the students are white, 22 percent are Latino, 17 percent are socioeconomically disadvantaged, 12 percent are students with disabilities, five percent are English learners and reclassified fluent English proficient, and four percent are classified as African American and Asian.

Issues and Analysis:

The proposed increase to the augmentation grant provides sufficient funding to allow Ocean to award a contract to Pinner. Augmentation grant funding 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. In accordance with the Grant Guidelines, the ownership of the property will be transferred to the District, and Ocean and the District will enter into a long-term lease agreement. In order to secure the State funding, which represents fifty percent of the total project budget, Ocean must provide proof to the State that a Notice-to-Proceed has been issued to the construction contractor no later than December 5, 2017. If the Board does not adopt or postpones action on staff's proposal, Ocean will lose its State funding and will not be able to construct their long-term facility.

In accordance with the District's Grant Guidelines, Ocean is required to contribute a minimum of 50 percent of the total project cost from non-District sources. Due to high construction demand, Ocean, consistent with the District's current construction experience, received higher than expected hard cost construction bids. In order to stay within the District's 50 percent contribution guideline, Ocean has reduced its contingency budget, which is reserved for any unforeseen events encountered during construction, to four percent. In the event that unforeseen conditions are encountered during construction that exceed their contingencies, the District may need to assume costs that can't be reduced through value engineering or other cost saving methods, or otherwise covered by contingencies already included in the project budget. Should this occur, the District share of the total Project costs may exceed the 50 percent match set forth in the Grant Guidelines. A future increase in the grant may be prudent due to the fact that the Project will be constructed on property owned by the District. Funding for any future augmentation grant increase would be provided from Bond Program funds earmarked for charter school facilities projects.

Ocean anticipates funding its portion of the Project with Proposition 1D and 47 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 Ocean, 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.

Under the State's CSFP, in the event that the charter school defaults in repayment of their 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 November 2, 2017. Staff has concluded that this proposed FSD-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.

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Attachments:

None.

Informatives:

None.

Submitted:

10/27/17


RESPECTFULLY SUBMITTED,


MICHELLE KING, Ed.D.
Superintendent


APPROVED BY:


MARK HOVATTER
Chief Facilities Executive
Facilities Services Division

REVIEWED BY:


DAVID HOLMQUIST
General Counsel

APPROVED BY:


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

Approved as to form.

REVIEWED BY:


CHERYL SIMPSON
Director, Budget Services and Financial Planning

PRESENTED BY:


AARON BRIDGEWATER
Director of Asset Management
Facilities Services Division

Approved as to budget impact statement.

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

Quynh Nguyen, Chair

LAUSD Student Parent

Barry Waite, Vice Chair

CA Tax Reform Assn.

Susan Linschoten, Secretary

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

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CA Charter School Association

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Daniel Hwang

Asst. Administrative Analyst

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BOARD REPORT NO. 190-17/18

**AUTHORIZATION TO INCREASE THE CHARTER AUGMENTATION GRANT FOR
THE OCEAN CHARTER SCHOOL PANAMA STREET K-8 SCHOOL PROJECT**

WHEREAS, District Staff is proposing that the Board of Education (Board) authorize a \$10,272,746 increase to the charter augmentation grant for the Ocean Charter School (Ocean) Panama Street K-8 School Project (Project), which will increase the current authorized augmentation grant amount from \$25,791,888 to \$36,064,634 as described in Board Report No. 190-17/18 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 updated value of the augmentation grant is exactly 50 percent of Ocean's overall project budget of \$72,129,268; and

WHEREAS, The increase is primarily attributed to a construction bid that was higher than the initial augmentation grant award; and

WHEREAS, Ocean currently serves approximately 500 students in grades kindergarten through 8th grades on two distinct campuses; and

WHEREAS, On April 12, 2016, the Board approved an augmentation grant for \$25,791,888 to support Ocean's proposal to develop a permanent school facility on a 2.1 acre site that Ocean intended to acquire, and authorized staff to negotiate and execute the necessary agreements for the financing of the Project (Board Report No. 341-15/16; and

WHEREAS, The proposed 94,000 square foot project consists of a two-story classroom building including 26 classrooms, an administration building, a multi-purpose building, lunch shelters,

Bond Oversight Committee

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outdoor play space and an underground parking garage with approximately 60 parking spaces; and

WHEREAS, The Project, once complete, will provide a long-term location for Ocean, who will waive their rights under Proposition 39 for the term of the lease; and

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

WHEREAS, The Charter Augmentation Grant Program provides funds to charter schools that need additional funding in order to finance long-term, capital improvement facilities projects; and

WHEREAS, In accordance with the District's Grant Guidelines, Ocean is required to contribute a minimum of 50 percent of the total project cost from non-District sources; and

WHEREAS, Ocean anticipates funding its portion of the Project with Proposition 1D and 47 funds provided through the State CSFP, consisting of a grant and a loan; and

WHEREAS, District's 50 percent funding for this project is from Bond Program funds earmarked for charter school facilities projects; and

WHEREAS, In accordance with the Grant Guidelines, the ownership of the property will be transferred to the District, and Ocean and the District will enter into a long-term lease agreement; and

WHEREAS, This action helps facilitate the Board-adopted Facilities Services Division (FSD) Strategic Execution Plan (SEP) 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; and

WHEREAS, District Staff has concluded that this proposed FSD-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 Bond Citizens' Oversight Committee (BOC) recommends that the Board of Education authorize a \$10,272,746 increase to the charter augmentation grant for the Ocean Charter School (Ocean) Panama Street K-8 School Project (Project), which will increase the current authorized augmentation grant amount from \$25,791,888

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**AUTHORIZATION TO INCREASE THE CHARTER AUGMENTATION GRANT FOR
THE OCEAN CHARTER SCHOOL PANAMA STREET K-8 SCHOOL PROJECT**

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to \$36,064,634, as outlined in Board Report No. 190-17/18, 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 School District Board of Education and posted on the Bond Oversight Committee's website.
3. The District 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 Oversight Committee and the District.

ADOPTED on Thursday, November 02, 2017, by the following vote:

AYES: 11

ABSTENTIONS: 0

NAYS: 0

ABSENCES: 4



Quynh Nguyen
Chair



Stuart Magruder
Executive Committee