



Board of Education Report

File #: Rep-379-18/19, **Version:** 1

Amendment to the Facilities Services Division Strategic Execution Plan to Approve a Charter Augmentation Grant for the Rise Kohyang High School Project

May 21, 2019

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 High School (Rise Kohyang) Project (Project) located at 3500 West 1st Street in the City of Los Angeles. The total project budget of the District's portion of the Rise Kohyang Project is in the amount of \$41,100,000. The budget includes cost for District oversight to ensure compliance with District guidelines and approvals, including but not limited to, Division of the State Architect (DSA) inspection during construction, environmental review, design review, and development of necessary agreements and instruments. Funding for the Project will be provided from Bond Program funds earmarked for charter school facilities projects.

Staff further proposes that the Board authorize the Chief Facilities Executive, and/or his designee(s), to negotiate and execute the necessary agreements and instruments for the financing of this charter augmentation grant Project. The proposed charter augmentation grant was evaluated under the current Charter Augmentation Grant Program Guidelines, which require charter school applicants contribute a minimum of 50 percent of the total project cost from non-District sources.

Background:

Since 2002, with the passage of Measure K, the 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 \$170 Million remains targeted for additional charter school facilities projects.

For approximately 13 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 program, 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 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, 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 nearly \$78 Million have been approved by the Board to support six charter school facilities projects.

The proposal for the Rise Kohyang Project was determined to meet all eligibility requirements for funding. Rise Kohyang has requested an augmentation grant in the amount of \$38,943,071 for the construction of a school for approximately 600 students on property they are in escrow to acquire in the Koreatown neighborhood of Los Angeles. Rise Kohyang anticipates funding the remainder of the \$77,886,142 project budget with Proposition 1D funds provided through the State Charter School Facilities Program (CSFP), consisting of a grant and a loan. The proposed project is located in Local District Central and Board District 2 (Mónica 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 Rise Kohyang 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 Project will be completed.

Board Options and Consequences:

If the proposed action is not approved, augmentation grants would not be allocated to Rise Kohyang.

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:

Rise Kohyang has requested an augmentation grant for \$38,943,071. The total funding will be \$41,100,000, which includes cost for District oversight to ensure compliance with District guidelines and approvals, including but not limited to, DSA inspection during construction, environmental review, design review, and development of necessary agreements and instruments. Funding for the Project will be provided from Bond Program funds earmarked for charter school facilities projects.

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, the District may elect to increase the amount of the augmentation grant. However, any additional funding provided will not exceed 50 percent of the total project costs, as set forth in the Charter Augmentation Grant Program Guidelines. The charter school 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 inform the Board if any such change to the augmentation grant amount should occur. 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 are provided with a safe and healthy environment, and up-to-date facilities that promote learning.

Issues and Analysis:

Rise Kohyang currently serves approximately 290 students in grades 9th through 11th on a private facility. Rise Kohyang's approved charter petition allows for enrollment up to 600 students in grade levels 9th through 12th, however, the private facility cannot accommodate the full enrollment. The proposed Project will have a capacity of up to 600 students in grade levels 9th through 12th.

The proposed Project includes the construction of a permanent high school facility to be built on approximately 1.2-acres of land located at 3500 West 1st Street in the City of Los Angeles, for which Rise Kohyang is currently in escrow to purchase. The Project will provide permanent educational facilities for approximately 600 students in 9th through 12th grades. The proposed 50,000 square foot Project will consist of a two-story classroom building with 22 classrooms, a library/media room, administrative offices, storage, a lunch area, a food service area, an indoor gymnasium, boys' and girls' changing rooms, an outdoor area for assemblies and recess, and an underground parking garage, with onsite drop off under the building. The Project is required to receive DSA, California Department of Education and if applicable, Department of Toxic Substances Control, and California Environmental Quality Act approvals and must be constructed to be Field Act compliant. The Project is anticipated to start construction during the second quarter of 2021 and be completed by the first quarter of 2023. Upon completion, Rise Kohyang will relocate their students from their private site. The Project would provide a long-term location for Rise Kohyang, who would waive their rights under Proposition 39 for the term of the lease.

If the Board approves the proposed \$38,943,071 augmentation grant, Rise Kohyang anticipates funding the remainder of the \$77,886,142 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 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 BOC at its meeting on May 9, 2019. 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.

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Attachments:

BOC Resolution

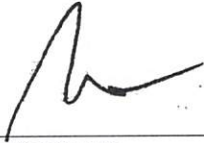
Informatives:

None.

Submitted:

5/3/2019

RESPECTFULLY SUBMITTED,



AUSTIN BEUTNER
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

Approved as to form.

REVIEWED BY:



CHERYL SIMPSON
Director, Budget Services and Financial Planning

PRESENTED BY:



AARON BRIDGEWATER
Director of Facilities Planning and Development
Facilities Services Division

Approved as to budget impact statement.

LOS ANGELES UNIFIED SCHOOL DISTRICT

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE

Rachel Greene, Chair
Tenth District PTSA

Bevin Ashenmiller, Vice-Chair
LAUSD Student Parent

Susan Linschoten, Secretary
L.A. Co. Auditor-Controller's Office

Araceli Sandoval-Gonzalez, Executive Committee
Early Education Coalition

Karen Krygier, Executive Committee
L.A. City Controller's Office

Jeffrey Fischbach
CA Tax Reform Assn.

Greg Good
L.A. City Mayor's Office

Michael Keeley
CA Charter School Association

Kate Mergen
Assoc. General Contractors of CA

Scott Pansky
L.A. Area Chamber of Commerce

Dolores Sobalvarro
AARP

Douglas Teiger
American Institute of Architects

Celia Ayala (Alternate)
Early Education Coalition

Arlene Barrera (Alternate)
L.A. Co. Auditor-Controller's Office

Jose Zambrano (Alternate)
Tenth District PTSA

(Vacant)
L.A. Co. Federation of Labor AFL-CIO

(Vacant)
LAUSD Student Parent

(Vacant)
31st District PTSA

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
Asst. Administrative Analyst

RESOLUTION 2019-16

BOARD REPORT NO. 379-18/19

AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC EXECUTION PLAN TO APPROVE A CHARTER AUGMENTATION GRANT FOR THE RISE KOHYANG HIGH SCHOOL PROJECT

WHEREAS, 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 High School (Rise Kohyang) Project (Project) as described in Board Report 379-18/19; and

WHEREAS, The proposed charter augmentation grant was evaluated under the current Charter Augmentation Grant Program Guidelines, which require charter school applicants contribute a minimum of 50 percent of the total project cost from non-District sources; and

WHEREAS, Presently, approximately \$170 Million remains targeted for additional charter school facilities projects; and

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

WHEREAS, Applicants are also required to provide the District with a fee interest in the property, hold a valid charter, be in good standing, and agree to waive Proposition 39 rights to facilities; and

WHEREAS, Rise Kohyang has requested an augmentation grant in the amount of \$38,943,071 for the construction of a school for approximately 600 students on property they are in escrow to acquire in the Koreatown neighborhood of Los Angeles; and

Bond Oversight Committee

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EXECUTION PLAN TO APPROVE A CHARTER AUGMENTATION GRANT FOR
THE RISE KOHYANG HIGH SCHOOL PROJECT**

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

WHEREAS, If the proposed action is not approved, augmentation grants would not be allocated to Rise Kohyang; 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 \$41,100,000, which includes cost for District oversight to ensure compliance with District guidelines and approvals, including but not limited to, DSA inspection during construction, environmental review, design review, and development of necessary agreements and instruments; and

WHEREAS, In the event the project costs increase, and the cost increases cannot be reduced by cost saving measures, the District may elect to increase the amount of the augmentation grant to 50 percent of the total project cost; and

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

WHEREAS, Rise Kohyang currently serves approximately 290 students in grades 9th through 11th on a private facility; and

WHEREAS, The proposed 50,000 square foot Project will consist of a two-story classroom building with 22 classrooms, a library/media room, administrative offices, storage, a lunch area, a food service area, an indoor gymnasium, boys' and girls' changing rooms, an outdoor area for assemblies and recess, and an underground parking garage, with onsite drop off under the building; and

WHEREAS, If the Board approves the proposed \$38,943,071 augmentation grant, Rise Kohyang anticipates funding the remainder of the \$77,886,142 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 their charter revoked, the District must take action in the following order:

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AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC
EXECUTION PLAN TO APPROVE A CHARTER AUGMENTATION GRANT FOR
THE RISE KOHYANG HIGH SCHOOL PROJECT**

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; and

WHEREAS, District 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 of Education adopt District Staff's proposal to amend the FSD SEP to approve a charter augmentation grant for the Rise Kohyang Project, with a total project budget of the District's portion in the amount of \$41,100,000, as described in Board Report 379-18/19, 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.

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AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC
EXECUTION PLAN TO APPROVE A CHARTER AUGMENTATION GRANT FOR
THE RISE KOHYANG HIGH SCHOOL PROJECT**

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 Bond Oversight Committee and the District.


ADOPTED on May 9, 2019, by the following vote:

AYES: 9

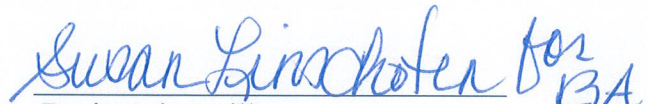
ABSTENTIONS: 0

NAYS: 0

ABSENCES: 3



Rachel Greene
Chair



Bevin Ashenmiller
Vice-Chair