



## Board of Education Report

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### **Amendment to the Facilities Services Division Strategic Execution Plan to Approve Charter Augmentation Grants for the Ocean Charter Span School Project and the Vaughn Next Century Learning Center Project**

**April 12, 2016**

#### **Facilities Services Division & Charter Schools Division**

#### **Action Proposed:**

Staff proposes that the Board of Education amend the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to approve two charter augmentation grant projects. The total project budget of the District's portion of the Ocean Charter Span School (Ocean) project is in the amount of \$27,000,000 and the Vaughn Next Century Learning Center (Vaughn) portable replacement project is in the amount of \$5,350,000. The budgets include an additional cost for District oversight to ensure compliance with District guidelines and approvals, including but not limited to environmental review, design review, development of necessary agreements, and inspection during construction. Funding for these projects will be provided from Bond Program funds earmarked for charter school facilities projects.

Staff further proposes that the Board of Education authorize the Chief Facilities Executive, and/or his designee (s), to negotiate and execute the necessary agreements for the financing of these charter augmentation grant projects. The two proposed charter augmentation grants were evaluated under the recently updated 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 proceeds have been targeted specifically for charter school facilities projects. Approximately 65 percent of this spending target is associated with the District's most recent local bond, Measure Q (utilized under the School Upgrade Program). Presently, approximately \$240 Million remains targeted for additional charter school facilities projects.

For approximately 10 years, the District has supported charter schools' facility 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 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 guidelines of the program, 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 of Education for approval. Once the Board of Education 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 \$30 Million have been approved by the Board of Education to support five charter school facilities projects.

The proposals for the Ocean and Vaughn projects were determined to meet all eligibility requirements for funding. Ocean has requested an augmentation grant in the amount of \$25,791,888 for the construction of a school for approximately 530 students on property they plan to acquire in the Del Rey neighborhood of Los Angeles. Ocean anticipates funding the remainder of the \$51,583,776 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 West and Board District 4 (Steve Zimmer).

Vaughn has requested an augmentation grant in the amount of \$4,841,000 for the construction of 16 classrooms on a portion of the former District elementary school campus that is now part of the Vaughn Next Century Learning Center in San Fernando. The project will create approximately 400 permanent seats and includes the demolition of 15 portable classrooms. Vaughn anticipates funding the remainder of the approximately \$9,682,000 project budget from its capital reserve. The proposed project is located in Local District Northeast and Board District 6 (Mónica Ratliff).

**Expected Outcomes:**

This action, if approved, will allow staff to negotiate and enter into a lease, development agreement and any other related instruments with Ocean and Vaughn 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 Ocean or Vaughn.

**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:**

Ocean has requested an augmentation grant for \$25,791,888 and Vaughn has requested an augmentation grant for \$4,841,000. The total funding will be \$27,000,000 and \$5,350,000 for Ocean and Vaughn respectively, which includes the additional cost for District oversight to ensure compliance with District guidelines and approvals, including but not limited to environmental review, design review, development of necessary agreements, and inspection during construction. Funding for these projects 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.

### **Issues and Analysis:**

#### **Ocean**

Ocean currently serves approximately 500 students in grades kindergarten through 8th grades on two distinct campuses. Kindergarten through 3rd grades are located at their Mar Vista campus, a site leased by Ocean located at 12606 Culver Boulevard in the City of Los Angeles. The 4th through 8th grade students are co-located at Westchester High School through Proposition 39.

The proposed Ocean project includes the construction of a permanent school facility on a 2.1 acre site located at 12870 Panama Street in the City of Los Angeles, which Ocean is currently in escrow. The project will provide permanent educational facilities for approximately 530 students in kindergarten through eighth grades. The proposed 52,000 square foot project would consist of a two-story building with 19 classrooms, administrative and support space, a library, a gymnasium, underground parking and outdoor play area. 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 must be constructed to be Field Act compliant. The project is anticipated to start construction during the first quarter of 2018 and be completed by the third quarter of 2019. Upon completion, Ocean would relocate their students from the Mar Vista campus and Westchester High School. The project would provide a long-term location for Ocean, who would waive their rights under Proposition 39 for the term of the lease.

If the Board approves the proposed \$25,791,888 augmentation grant, Ocean anticipates funding the remainder of the \$51,583,776 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.

#### **Vaughn**

Vaughn is proposing is to construct 16 classrooms and support spaces, consisting of approximately 20,000 square feet, on a former District elementary school campus that converted to a charter school in 1993. The project includes the demolition of 15 portable classrooms.

The project is required to receive approval from the Division of State Architect (DSA), comply with the California Environmental Quality Act and will be constructed to be Field Act compliant. Construction is anticipated to start during the fourth quarter of 2016 and be completed by the third quarter of 2017. The project anticipates using pre-DSA approved modular buildings. If the Board approves the proposed \$4,841,000 augmentation grant, Vaughn anticipates funding the remainder of the approximately \$9,682,000 project budget from its capital reserve.

**Bond Oversight Committee Recommendations:**

This item was considered by the School Construction Bond Citizens' Oversight Committee (BOC) at its meeting on March 31, 2016. 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:**

None.

**Informatives:**

None.

RESPECTFULLY SUBMITTED,

  
MICHELLE KING  
Superintendent


APPROVED & PRESENTED BY:

  
MARK HOVATTER  
Chief Facilities Executive  
Facilities Services Division

REVIEWED BY:

  
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Approved as to form.

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Approved as to budget impact statement.