

LOS ANGELES UNIFIED SCHOOL DISTRICT

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**Thomas A. Rubin, CPA**

Oversight Committee Consultant

**Gary C. Anderson, PhD**

Bond Administrator

**Daniel Hwang**

Administrative Analyst

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**RESOLUTION 2014-49**

**BOARD REPORT NO. 217-14/15**

**LONG-TERM CHARTER FACILITIES SOLUTION AND FACILITIES  
IMPROVEMENT PROJECT AT BERENDO MIDDLE SCHOOL**

WHEREAS, District Staff proposes that the Board of Education amend the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to: (1) increase the charter augmentation grant for the Monseñor Oscar Romero Charter School (MORCS) project from \$4,400,000 to \$8,575,000; and (2) define and approve the Berendo Middle School Facilities Improvement Project (Berendo Facilities Improvement Project) in the amount of \$22,820,000, as provided in Board Report 217-14/15, 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 proposed MORCS project will be located on 1.10 acres at the northeastern corner of the Berendo Middle School campus and will provide permanent educational facilities for approximately 405 students in sixth through eighth grade. The proposed 37,000 square foot project consists of a two-story building including 16 classrooms, an administration building, a multi-purpose building, and lunch shelter. The project also includes a small outdoor courtyard and an underground parking structure with approximately 40 parking spaces; and

WHEREAS, The Berendo Facilities Improvement Project will consist of a new gymnasium building, the relocation of the existing Healthy Start clinic, and the conversion of existing asphalt into permeable play area and landscaping; and

WHEREAS, The 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; and

WHEREAS, Given the increased interest for funding by charter schools, staff developed a Charter Augmentation Grant Program (Program) that established process and requirements for the request and allocation of augmentation grants; and

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**IMPROVEMENT PROJECT AT BERENDO MIDDLE SCHOOL**  
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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 the right to submit a *Proposition 39* request for facilities, and contribute a minimum of 65 percent of the total project cost from non-District sources; and

WHEREAS, On September 11, 2012 (BOE Report #014-12/13), the Board amended the FSD-SEP to approve a charter augmentation grant for MORCS in the amount of \$4,400,000; and authorized staff to negotiate and execute the lease, development agreement, and any other related instruments necessary for the financing, construction and operation of a permanent long-term charter school facility on a portion of the Berendo campus; and

WHEREAS, In August 2014, YPI Charter Schools Inc. (YPI), the governing nonprofit organization and operator of MORCS, informed the District that their estimated project budget increased from \$17,900,000 (prepared in August 2012) to \$24,500,000; and

WHEREAS, YPI has indicated that additional augmentation grant funding is necessary to enable the project to proceed. MORCS has requested an increase in their augmentation grant from \$4,400,000 to \$8,575,000, which is 35 percent of the total anticipated project budget, and meets the criteria of the Augmentation Grant Program, which requires the charter school to contribute a minimum of 65 percent of the total project cost from non-District sources; and

WHEREAS, MORCS anticipates funding the remainder of the project with Proposition 1D funds provided through the State's Charter School Facilities Program (CSFP) and fundraising efforts; and

WHEREAS, The MORCS project is anticipated to start construction during the fourth quarter of 2015 and be completed by the first quarter of 2018. The project, once complete, will provide a long-term location for MORCS, who will waive their rights under *Proposition 39* for the term of the lease; and

WHEREAS, The new MORCS project will provide new classroom, administrative and food service facilities on a portion of the Berendo campus, which will allow MORCS to be semi-autonomous. However, MORCS will need to continue the use of the Berendo physical education space. Unfortunately, the existing Berendo gymnasium is undersized and does not provide adequate facilities for the MORCS and Berendo students for the long term; and

WHEREAS, To address the inadequacy of the existing gymnasium, YPI has requested that the District consider the development of a new gymnasium to support the new charter school project and long-term operations of both schools. The new gymnasium will be approximately 20,000 square feet and consist of basketball courts, locker rooms, fitness room, and support spaces; and

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WHEREAS, The MORCS charter augmentation grant and the Berendo Facilities Improvement Project will be funded by Bond Program funds earmarked for charter school facilities projects; and

WHEREAS, District Staff has concluded that the proposed FSD-SEP amendment will facilitate implementation of the FSD-SEP, and therefore, it 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 amend the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to: (1) increase the charter augmentation grant for the Monseñor Oscar Romero Charter School (MORCS) project from \$4,400,000 to \$8,575,000; and (2) define and approve the Berendo Middle School Facilities Improvement Project (Berendo Facilities Improvement Project) in the amount of \$22,820,000, as provided in Board Report 217-14/15, a copy of which is attached hereto in the form it was presented to the BOC and is incorporated herein by reference; and
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 BOC and the Board, be provided to the BOC within 30 days, reporting either an action taken or proposed to be taken in response to this resolution and each recommendation herein.

ADOPTED on November 20, 2014 by the following vote:

AYES: **13**

ABSTENTIONS: **0**

NAYS: **0**

ABSENCES: **0**

*Stephen English*  
Stephen English  
Chair

*Pamela Schmidt*  
Pamela Schmidt  
Vice-Chair



## LOS ANGELES UNIFIED SCHOOL DISTRICT Board of Education Report

<b>Report Number:</b>	217-14/15
<b>Date:</b>	December 9, 2014
<b>Subject:</b>	Long-Term Charter Facilities Solution and Facilities Improvement Project at Berendo Middle School
<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) 241-6926

### BOARD REPORT

#### Action Proposed:

Staff proposes that the Board of Education approve the following amendments to the Facilities Services Division (FSD) Strategic Execution Plan (SEP):

- Increase the charter augmentation grant for the Monseñor Oscar Romero Charter School (MORCS) project from \$4,400,000 to \$8,575,000; and
- Define and approve the Berendo Middle School Facilities Improvement Project (Berendo Facilities Improvement Project) in the amount of \$22,820,000. The Berendo Facilities Improvement Project will consist of a new gymnasium building, the relocation of the existing Healthy Start clinic, and the conversion of existing asphalt into permeable play area and landscaping.

The MORCS charter augmentation grant and the Berendo Facilities Improvement Project will be funded by Bond Program funds earmarked for charter school facilities projects.

These projects are located within Educational Service Center East and Board District 2 (Mónica García).

#### Background:

On September 11, 2012 (BOE Report #014-12/13), the Board amended the FSD-SEP to approve a charter augmentation grant for MORCS in the amount of \$4,400,000; and authorized staff to negotiate and execute the lease, development agreement, and any other related instruments necessary for the financing, construction and operation of a permanent long-term charter school facility on a portion of the Berendo campus.



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The proposed MORCS project will be located on 1.10 acres at the northeastern corner of the Berendo campus. The project is being developed and constructed by YPI Charter Schools Inc. (YPI), the governing nonprofit organization and operator of MORCS. It will provide permanent educational facilities for approximately 405 students in sixth through eighth grade. The proposed 37,000 square foot project consists of a two-story building including 16 classrooms, an administration building, a multi-purpose building, and lunch shelter. The project also includes a small outdoor courtyard and an underground parking structure with approximately 40 parking spaces.

The proposed project requires the removal of a bungalow, restroom building, a surface parking lot and an outdoor basketball court that are located in the area of the proposed MORCS development. This is the best location for the long-term operations of both schools as it allows the MORCS project to have a separate entrance, vehicular student pick-up and drop-off area, and an underground parking garage with an entrance along 11<sup>th</sup> Street, separate from Berendo's main entrance.

In addition to the bungalow in the footprint of the MORCS project, the project also includes the demolition of six additional bungalow buildings, which are currently occupied by MORCS through *Proposition 39*.

The project, once complete, will provide a long-term location for MORCS, who will waive their rights under *Proposition 39* for the term of the lease.

### Augmentation Grant Increase

In August 2014, YPI informed the District that their estimated project budget increased from \$17,900,000 (prepared in August 2012) to \$24,500,000. The budget increase is due primarily to a change in the design of the project to include an underground parking structure instead of a surface parking lot. This revision was requested by the District in order to maintain the required physical education play stations and minimize the impact to the Berendo play area. Additionally, the increase in costs for soil remediation, management and testing have also contributed to the increase in the budget. YPI has indicated that additional augmentation grant funding is necessary to enable the project to proceed.



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MORCS has requested an increase in their augmentation grant from \$4,400,000 to \$8,575,000, which is 35 percent of the total anticipated project budget, and meets the criteria of the Augmentation Grant Program, which requires the charter school to contribute a minimum of 65 percent of the total project cost from non-District sources. MORCS anticipates funding the remainder of the project with Proposition 1D funds provided through the State's Charter School Facilities Program (CSFP) and fundraising efforts.

### Berendo Facilities Improvement Project

The new MORCS project will provide new classroom, administrative and food service facilities on a portion of the Berendo campus, which will allow MORCS to be semi-autonomous. However, MORCS will need to continue the use of the Berendo physical education space. Unfortunately, the existing Berendo gymnasium is undersized and does not provide adequate facilities for the MORCS and Berendo students for the long term.

To address the inadequacy of the existing gymnasium, YPI has requested that the District consider the development of a new gymnasium to support the new charter school project and long-term operations of both schools. The new facility would be shared by the MORCS and Berendo students. The new gymnasium will be approximately 20,000 square feet and consist of basketball courts, locker rooms, fitness room, and support spaces.

The MORCS Project requires the removal of a bungalow and restroom building that are located in the area of the proposed MORCS development. These two buildings are currently utilized by a District Healthy Start Program. Healthy Start provides students, their family members and the community comprehensive school integrated services and activities in academics, youth development, family support, basic needs, and physical and mental health care. Staff proposes to relocate the Healthy Start Program to another location on the Berendo campus. The relocation will provide a space of approximately 2,600 square feet and consist of an administrative area, waiting area, counseling rooms, and restrooms.

The MORCS project also includes the removal of six bungalow buildings that are currently occupied by MORCS through



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*Proposition 39.* Staff proposes that the Berendo Facilities Improvement Project include the conversion of existing asphalt into permeable play area and landscaping to provide the MORCS and Berendo students an enhanced learning environment.

The Berendo Facilities Improvement Project is anticipated to begin construction in the second quarter of 2017 and be completed by the first quarter of 2019.

### **Expected Outcomes:**

These actions, if approved, will allow staff to negotiate and enter into any instruments necessary for the construction and operation of a permanent long-term charter facility on a portion of the Berendo campus, including access/use of the new gymnasium, and increase the augmentation grant funding from \$4,400,000 to \$8,575,000. The augmentation grant funds will be provided to the charter school upon proof that all other non-District funding has been received and/or committed to ensure that funds can be effectively leveraged. The project, once complete, will provide a long-term location for MORCS, who will waive their rights under *Proposition 39* for the term of the lease.

Additionally, this action will allow staff to proceed with environmental studies, design and development of the Berendo Facilities Improvement Project.

### **Board Options and Consequences:**

If the proposed actions are not approved, the augmentation grant will not be increased and MORCS will not be able to construct a permanent school facility on the Berendo campus. MORCS would continue to be eligible for the use of District facilities under *Proposition 39*.

In addition, the Berendo Facilities Improvement Project, which consists of a new gymnasium building, the relocation of the existing Healthy Start clinic, and the conversion of existing asphalt into permeable play area and landscaping, would not be developed and constructed on the Berendo Middle School campus.

### **Policy Implications:**

This action helps facilitate the Board-adopted Facilities Services Division Strategic Execution Plan 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.



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### **Budget Impact:**

MORCS has requested an increase to their augmentation grant from \$4,400,000 to \$8,575,000. The total anticipated 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 \$9,325,000. The Berendo Facilities Improvement Project budget is \$22,820,000.

Funding for these projects 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 projects.

### **Issues and Analysis:**

The MORCS project budget is based on an estimated construction contract amount. YPI currently anticipates advertising the construction bid documents in the second quarter of 2015. In the event the construction bid is higher than anticipated or unforeseen conditions are encountered during construction that increase the project budget, the District will assume any necessary costs that can't be reduced through value engineering or other cost saving methods. Staff will inform the Board if any such change should occur.

In the event that this should occur, the District share of the costs may exceed the 35 percent match set forth in the Augmentation Grant Guidelines. This exception to the Augmentation Grant Program is deemed necessary due to the location of the construction activities on an operational District school site. Funding for any future augmentation grant increase would be provided from Bond Program funds earmarked for charter school facilities projects.

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. The MORCS project is anticipated to start construction during the fourth quarter of 2015 and be completed by the first quarter of 2018. The Berendo Facilities Improvement Project is anticipated to start construction during the second quarter of 2017, and be completed by the first quarter of 2019. The principal, Educational Service Center office and the community have been briefed on the proposed projects.



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If the Board approves the proposed augmentation grant increase, MORCS anticipates funding the remainder of the project with Proposition 1D funds provided through the State CSFP, consisting of a 50 percent grant and a 50 percent matching loan, and fundraising efforts. 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 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 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 November 20, 2014. 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:**

- Informative**
- Desegregation  
Impact Statement**



# LOS ANGELES UNIFIED SCHOOL DISTRICT Board of Education Report

Respectfully submitted,

APPROVED BY:

RAMON C. CORTINES  
Superintendent

MICHELLE KING  
Chief Deputy Superintendent

REVIEWED BY:

APPROVED &  
PRESENTED BY:

DAVID HOLMQUIST  
General Counsel

MARK HOVATTER  
Chief Facilities Executive  
Facilities Services Division

Approved as to form.

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

TONY ATIENZA  
Director of Budget Services and  
Financial Planning

Approved as to budget impact statement.