

MEMORANDUM

Staff Summary No. 6

Date: November 10, 2010

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 10-39 Authorizing the Allocation of Qualified School Construction Bond Borrowing Authority to Alliance for College Ready Public Schools, in an amount not to exceed \$22,000,000 Under the Charter School QSCB Program Parameters, and Authorizing the Taking of Necessary Actions in Connection Therewith

The American Recovery and Reinvestment Act of 2009 (ARRA) provides funding for the new construction or renovation of school facilities through the use of Qualified School Construction Bonds (QSCBs). Of California's \$773 million in "volume cap" allocation for the issuance of QSCBs, \$73.525 million has been reserved for use by charter schools through the issuance of conduit revenue bonds in 2009 and 2010 by the California School Finance Authority (CSFA) which will be designated as QSCBs.

At its July 14, 2010 board meeting, the Authority board adopted an open application process for the remaining balance of the 2009 QSCB charter school bond allocation. Alliance for College Ready Public Schools submitted an application for \$22 million in borrowing authority.

The Alliance for College-Ready Public Schools is developing two projects for 3 schools. The first project is located at 1918 N. Broadway in Los Angeles. It is to provide permanent facilities for the existing College-Ready Middle School #5, and the to-be-opened College-Ready High School #14. The site consists of over 50,000 sq. ft on which a two-story, 45,000 sq. ft facility will be constructed. A total of 42 classrooms, 4 labs, student and staff restrooms, administration offices, and 92 parking spaces will be constructed. Construction will begin in December 2010 and be open for school beginning August 2011. The second project is located at 13245 Hubbard Street, Sylmar, CA. It is to provide permanent facilities for College-Ready High School #13. The site consists of over 76,000 sq. ft on which a two-story, 29,900 sq. ft. facility will be constructed. It will contain 24 classrooms, 2 labs, student and staff restrooms, and an outdoor eating area.

The financing for these projects will use a unique structure to combine Qualified School Construction Bonds to fund self-leveraged loans with a New Markets Tax Credit financing. The QSCBs will use the tax-credit approach instead of the direct-pay approach. In addition to the NMTC equity, the tax-credits for the QSCBs will be stripped off and sold to the NMTC equity investor. On top of the approximately \$2.5 million NMTC equity, this will result in an additional \$1.2 million of equity.

Given the equity in the financing structure, the assumed credit rating, and the readiness of the project, staff recommends that the Board adopt Resolution 10-39 approving the allocation of \$22 million of the QSCB borrowing authority to Alliance for College Ready Public Schools.