

MEMORANDUM

Staff Summary No. 12

Date: May 22, 2012

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$660,000 to 7907 Santa Fe Avenue Charter Facilities LLC for the benefit of Alliance Margaret M. Bloomfield Technology Academy High School (formerly known as Alliance College-Ready Academy High School No. 18) Located in Los Angeles County, California (Action Item) and Authorizing the Taking of Necessary Actions in Connection Therewith

The California School Finance Authority received a grant award in 2010 under the U.S. Department of Education's Credit Enhancement for Charter Schools Facilities Program (CFDA # 84.354), which, for purposes of the Authority's implementation has been entitled the "Charter School Facilities Enhancement Grant Program" (Program). This federal grant, authorized under Title V, Part B, Subpart 2 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, provides \$8,300,000 for the purpose of funding primary debt service reserves for the financing of acquisition, renovation, or construction of charter school facilities, or the refinancing of existing charter school facility debt utilized for such purposes.

7907 Santa Fe Avenue Charter Facilities LLC for the benefit of Alliance Margaret M. Bloomfield Technology Academy High School (formerly known as Alliance College-Ready Academy High School No. 18), is requesting a Credit Enhancement grant of \$660,000. Staff has evaluated the application and has determined that all program eligibility and evaluation criteria have been met. At the May 22, 2012 board meeting, the board will be presented with Resolution 13-23 which is authorizing the issuance of Qualified School Construction Bonds in an amount not to exceed \$10,750,000 to finance the acquisition, construction and equipping of the charter school facilities.

It is anticipated that the financing will be structured with \$10,750,000 taxable and Direct Subsidy Qualified School Construction Bonds. The bond proceeds will be used to acquire, construct, and equip the property from 7907 Santa Fe Avenue Charter Facilities LLC, a California limited liability company. The property consists of an approximately 30,000 square foot educational facility capable of accommodating approximately 600 students in grades 9 through 12. Legal counsel is expected to deliver an approving opinion in connection with the financing.

Staff recommends that the Board adopt Resolution No. 13-20 approving a Credit Enhancement grant of \$660,000 to 7907 Santa Fe Avenue Charter Facilities LLC for the benefit of Alliance Margaret M. Bloomfield Technology Academy High School (formerly known as Alliance College-Ready Academy High School No. 18) located in Los Angeles, California, and to direct staff to continue working with the applicant and their financing team to finalize the structure of the transaction for issuance.

CSFA Federal Credit Enhancement Grant Program

Application Review Policy and Checklist – Alliance College-Ready Public Schools on behalf of Alliance Margaret M. Bloomfield Technology Academy High School

Application Checklist

Applicant Eligibility Criteria--(Section 10194 of Program Regulations)	Yes/No	Comments
<ul style="list-style-type: none"> An approved charter is in place and is current. (Section 10194(a) of Program Regulations) 	Yes	Charter expires 6/30/2016 (charter approved on June 6, 2011 and commenced on July 1, 2011)
<ul style="list-style-type: none"> The charter school is in good standing with its charter authorizer and the terms of its charter. (Section 10194(b) of Program Regulations) 	N/A	School not active yet. School will open in 2014-15
<ul style="list-style-type: none"> The charter school has completed at least one year of instructional operations under its current CDS code and charter school number. (Section 10194(c) of Program Regulations) 	Yes	This requirement is met through the newly amended Section 10194(c), which allows for the applicant or CMO—in this case Alliance College-Ready Public Schools—to meet the one year of instructional operations requirement
<ul style="list-style-type: none"> The applicant has provided evidence that, for the most recent academic year, at least 80% of enrolled pupils at the financed charter school site received classroom-based instruction and that the charter school achieved an average daily attendance of at least 80% (based on CBEDS reporting). (Section 10194(d) of Program Regulations) 	Yes	The School will open in 2014-15, but the school plans to enroll 600 students – 100% site based
<ul style="list-style-type: none"> The charter is established pursuant to Education Code section 47600 et seq. and that it meets the federal definition of charter school as defined in section 5210(l) of the Elementary and Secondary Education Act of 1965, as amended. (Section 10194(e) of Program Regulations) 	Yes	
<ul style="list-style-type: none"> The charter school admits students by lottery in the event of oversubscription. (Section 10194(e) of Program Regulations) 	Yes	Page 101
Eligible Use Criteria--(Section 10195 of Program Regulations)	Yes/No	Comments
<ul style="list-style-type: none"> Proposed use of Program funds meets Section 10195(a) of Program Regulations. 	Yes	Enhancement of financing for acquisition, construction, and equipping of facilities
<ul style="list-style-type: none"> Requested Award is no more than \$1,500,000. (Section 10195(b) of Program Regulations) 	Yes	Requesting an allocation of \$660,000

Application Review--(Section 10196(a) and 10196(b) of Program Regulations)	Yes/No	Comments
<ul style="list-style-type: none"> The applicant meets all Applicant Eligibility Criteria under Section 10194 	Yes	
<ul style="list-style-type: none"> The applicant agreed to use the intercept method to repay its debt pursuant to Education Code section 17199.4(a)(4). (Section 10196(b)(1) of Program Regulations) 	Yes	This will be confirmed through the Grant Agreement.
<ul style="list-style-type: none"> The applicant is able to demonstrate that Program funds are leveraged at a minimum 8:1 project-to-award ratio. (Section 10196(b)(2) of Program Regulations) 	Yes	Alliance College-Ready Public Schools applied for a \$660,000 award in credit enhancement for the financing of QSCB issuance, totaling \$10,750,000. This represents an approximate 16:1 project-to-award ratio
<ul style="list-style-type: none"> The applicant has provided evidence that it has the ability to secure private placement of debt with an investor, secure an investment grade credit rating in conjunction with a public sale, or that otherwise complete the transaction. (Section 10196(b)(3) of Program Regulations) 	Yes	Alliance College-Ready Public Schools will be issuing \$10,750,000 in QSCBs through CSFA.
Additional Evaluation Criteria—If Applicable--(Section 10196(c) of Program Regulations)	Yes/No	Comments
<ul style="list-style-type: none"> At least 50% of the Applicant's pupils are eligible for free or reduced-price meals. (Section 10196(c)(1) of Program Regulations) 	N/A	
<ul style="list-style-type: none"> Review of the Applicant School's last three years of API scores, if available) (Section 10196(c)(2) of Program Regulations) 	N/A	