

MEMORANDUM

Date: November 14, 2018 Staff Summary No. 5

To: Members, California School Finance Authority

From: Katrina M. Johantgen, Executive Director

RE: Resolution 18-26 – Amending Resolution 18-20, adopted at the September 12, 2018 California

Resolution No. 18-26 to amend Resolution 18-20, adopted on September 12, 2018, which authorized the execution and delivery of a single loan agreement for the Loan to the Authority originally approved thereunder in an amount not to exceed \$18,000,000, and a Loan from the Authority to KBARE, to finance and refinance educational facilities located in Alameda and Santa Clara Counties for use by KIPP Bay Area Public Schools; this amendment will authorize the execution and delivery of one or more loan agreements instead (Action Item)

Background: At its September 12, 2018 meeting, the Board approved Resolution 18-20 Authorizing a Loan to the Authority in an Amount Not to Exceed \$18,000,000, the Issuance by the Authority of a Promissory Note Evidencing the Obligations of the Authority in Connection with Such Loan, and a Loan from the Authority to KBARE, to Finance and Refinance a project at Educational facilities Located in Alameda and Santa Clara Counties for use by KIPP Bay Area Public Schools, providing the terms and conditions for such loans and promissory note and other matters relating thereto, and authorizing the execution of certain documents in connection therewith. The proceeds of the loan will be used to refinance existing debt at two KIPP Bay Area Public Schools: 1) KIPP Bridge Academy located at 1700 Market Street in Oakland, and 2) KIPP Heritage Academy 423 Los Arboles Street in San Jose.

After approval of Resolution 18-20, KIPP Bay Area Public Schools encountered an issue with the property located at 1700 Market Street for KIPP Bridge Academy. During review of the title history of the Bridge site, it was discovered that a small portion of the property was not properly vested in the name of Oakland Unified School District (OUSD), and instead is still owned by the City of Oakland.

Board Request: A requirement of closing the Mutual of Omaha loan for the Bridge site is that KIPP deliver a policy of title insurance on the 1700 Market LLC leasehold from OUSD. Title insurance cannot be issued for this site until the entire site is vested in the name of OUSD. Thus, OUSD is currently working with City of Oakland officials to rectify the vesting issue.

KIPP cannot predict how long it will take to resolve the title issue for the Bridge site. And, in order to preserve flexibility to reimburse capital expenditures and pay off construction loans associated with the Heritage project in San Jose, KIPP is seeking to bifurcate the two project financings and close Heritage first, followed by closing on Bridge once the vesting issue is resolved and title insurance can be issued on the property.

KIPP seeks a technical amendment to the CSFA authorizing resolution to permit financing of the two sites to be closed on separate dates pursuant to separate loan agreements with substantially similar terms, as previously approved by the CSFA board.

Recommendation: Staff recommends CSFA approve Resolution No. 18-26 to amend Resolution 18-20, adopted on September 12, 2018, which authorized the execution and delivery of a single loan agreement for the Loan to the Authority originally approved thereunder in an amount not to exceed \$18,000,000, and a Loan from the Authority to KBARE, to finance and refinance educational facilities located in Alameda and Santa Clara Counties for use by KIPP Bay Area Public Schools; this amendment will authorize the execution and delivery of one or more loan agreements to effect the Loans instead.