

## MEMORANDUM

Staff Summary No. 5

**Date:** March 30, 2023

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Subject:** Resolution 23-10, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$800,000 to 3200 Adams Holding Corp. on Behalf of STEM Preparatory Elementary and Math and Science College Preparatory, Located in Los Angeles County

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**Background:** The California School Finance Authority (Authority) received a grant award in 2017 under the U.S. Department of Education’s Expanding Quality Charter Schools Program – Credit Enhancement (CE) for Charter Schools Facilities (CFDA # 84.354A), which, for purposes of the Authority’s implementation, has been entitled the Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA) 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 \$8,000,000 to support financing to charter schools that have received a reservation of funds through the Charter School Facilities Program or for long-term debt through the Authority’s Conduit Bond and Note Financing Program.

**Application:** The proceeds of the financing will be used to: (1) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of certain charter school educational facilities, located at 3200 West Adams Blvd, Los Angeles, (2) finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of certain charter school educational facilities, located at 1374 West 35<sup>th</sup> Street, Los Angeles; (3) to pay certain issuance expenses incurred in connection with the financing, (4) to pay capitalized interest on the financed obligations, (5) to fund all or a portion of a debt service reserve fund with respect to the financing, and (6) to fund related working capital with respect to the Project.

3200 Adams Holding Corp. (the “Borrower”), on behalf of STEM Preparatory Elementary School (“SPES”) and Math and Science College Preparatory (“MSCP”), is applying for an enhancement award in the amount not-to-exceed \$800,000. *The final award amount will be finalized at the time the bonds are priced and sold.* According to information provided by the Borrower, by helping to finance a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant allows the Borrower to reduce its borrowing costs. Additionally, the Grant will reduce the overall lease costs for SPES and MSCP.

**Eligibility Requirements:** The applicant meets all eligibility requirements of the Program, specifically:

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1. Good Standing – SPES and MSCP are in good standing with Los Angeles Unified School District and confirmation of good standing is on file with the Authority.
2. Ability to secure private placement of its debt with an investor(s), secure an investment grade credit rating from a national credit rating agency in conjunction with a public sale, or other evidence, satisfactory to the authority that the transaction will be completed – credit rating is expected to be either BB+ or BBB- and the issuance has a responsible plan of finance and a competent financing team, as such the Authority expects this transaction will be completed successfully.
3. At Least 50% of Students Eligible for Free and Reduced Priced Meals (FRPM) –88% of SPES students and 95% of MSCP students qualify for FRPM, well over the 50% threshold.

**Recommendation:** Staff recommends the Board adopt Resolution No. 23-10, awarding 3200 Adams Holding Corp., on behalf of SPES and MSCP, a PANACEA Credit Enhancement award in a not-to-exceed amount of \$800,000.