



Agenda Item #: II A: Recommended Action Item

Date: September 8, 2021

To: Magnolia Educational & Research Foundation dba Magnolia Public Schools ("MPS")
Facilities Committee (the "Committee")

From: Alfredo Rubalcava, CEO & Superintendent

Staff Lead: Patrick Ontiveros, General Counsel & Director of Facilities

RE: Approval of Pacific Charter School Development, Inc. as Project Management
Services Provider for MSA-7

I. Proposed Motion/Recommendation(s)

Staff recommends and moves that the Committee approves the selection of Pacific Charter School Development, Inc. ("PCSD"), a California non-profit public benefit corporation, to provide certain project management services for the expansion of enrollment at MSA-7 and related entitlement and construction phases for a total cost not to exceed \$138,000 and further approves that MPS Staff be authorized to negotiate and sign a professional services contract for said services in such form as MPS Staff may deem appropriate and in the best interests of MPS. Staff further recommends and moves that the Committee recommend to the full MPS Board of Directors that it take the same action.

II. Background

MSA-7 Enrollment

MSA-7, which serves grades TK to 5, leases the property at 18355 Roscoe Blvd in Northridge (the "Premises") from First Lutheran Church of Northridge. MSA-7 has been operating at the Premises since 2011. It presently operates on the Premises under a conditional use permit, granted in 2011, that allows enrollment for up to 279 elementary students. MPS intends to apply for a new conditional use permit to allow enrollment at MSA-7 of up to 500 students at the Premises. MSA-7 has enjoyed robust enrollment at its campus despite not engaging in any significant marketing efforts. MPS and MSA-7 believe there is sufficient demand for spaces at its school that expansion is a prudent strategy.

Pacific Charter School Development

Since MSA-7 is one of MPS's highest performing schools, the expansion project is critical to MPS's sustainability and growth. In order to insure that the project has the best chance of success Staff believes it is in the best interest of MPS and MSA-7 to engage additional professionals. Accordingly, MPS has spoken with representatives from PCSD to partner with MPS on several projects, including the one at MSA-7. PCSD is unique in that it is the only non-profit charter school facility developer in the State of California. PCSD was founded in 2004 by former President & CEO Glenn Pierce, Kim Smith and James Willcox, then of the NewSchools Venture Fund. The organization was formed to address the single greatest hurdle that high-



quality charter schools face in educating urban children – securing adequate academic campuses. Recognizing this need, the three founders designed an organization that could marshal resources of the leading members of the philanthropic and socially-conscious community to produce new school seats in low income communities with the greatest need. NewSchools Venture Fund was instrumental in providing the seed capital and expertise required to establish the organization. Since PCSD’s inception, NewSchools has been joined by The Broad Foundation, The Walton Family Foundation, and The Bill and Melinda Gates Foundation as providers of project equity. Operational support has been provided by these same organizations along with the Pisces Foundation, The Ahmanson Foundation, and The Weingart Foundation.

PCSD has submitted a proposal to MPS for its services. The proposal is attached as Exhibit A.

General Counsel and Director of Facilities Patrick Ontiveros was formerly an employee of PCSD and is presently a director of PCSD’s sister organization, Washington Charter School Development.

III. Procurement

Since PCSD’s founding, multiple entities and persons have sprung up to provide similar services to PCSD. However, all are for-profit entities. Staff believes that PCSD’s services are sufficiently unique that soliciting bids from other similar entities will not yield benefits to MPS. See Exhibit B.

IV. Conclusion & Budget Impact

Staff recommends that MPS engage PCSD to provide the services outlined in its proposal attached as Exhibit A for the total fee of \$138,000. PCSD has split its proposed fee over 12 months with lower monthly payments at the outset that escalate over the course of the project--\$7,500 per month for the first 4 months, \$12,500 for the next fourth months, and, finally \$14,500 per month for the final 4 months. Unlike other vendors this is a truly fixed fee for the 12 month expected duration of the project. If it extends beyond 12 months, MPS and PCSD will need to negotiate an extension. If the project does not move forward for some reason then MPS will be able to terminate the contract with no penalty.

Staff intends to seek financing for the Project. Until such financing is secured, MSA-7 will need to pay for expenses out of its operating budget or its reserves. Such expenditure will not have a material impact on either MSA-7’s operating budget or its reserves.

Exhibit APCSD Proposal

Exhibit BMemorandum



Exhibit A

Pacific Charter School Development Proposal



August 17, 2021

Patrick Ontiveros, Esq.
General Counsel & Director of Facilities
Magnolia Public Schools
250 E 1st Street, Suite 1500
Los Angeles, CA, 90012

RE: Proposal for Magnolia Science Academy #7 Expansion Project

Dear Patrick:

Pacific Charter School Development ("PCSD") is pleased to present you with our proposal for project management services for Magnolia Science Academy 7 ("MSA") school expansion project ("Project"), which will increase enrollment to 500+ students and adding approximately seven modular classrooms at the location of 18355 Roscoe Blvd, Northridge. Based on our previous conversations and our experience as the largest developer of charter schools in the U.S., we understand your project needs and have the expertise to deliver you an affordable and high-quality solution. Our specific capabilities include:

- Since 2004 we have completed over 100 new charter school facilities projects serving more than 42,000 students in Southern California, the Bay Area, and Washington State.
- As a non-profit and mission-based organization focused on delivering high-quality and low-cost charter school facilities, we work closely with our clients to assess and ensure project affordability, and have close relationships with financial institutions that allow us to identify and secure low-cost project financing.
- Our experienced project managers oversee the entire facilities development process, including project scoping, design, cost estimating, financing, construction bid and award, and construction.
- We have extensive experience managing and successfully delivering state bond-funded charter school projects, including current and recent Prop 55, 51, and 1D projects for Camino Nuevo Charter Academy, Green Dot Public Schools, El Sol Academy, YPI Charter Schools, and Bright Star Schools.

We are excited about the opportunity to work with MSA and look forward to further discussing our proposal with you. I can be reached with any questions at (310) 614-6895 or john@pacificcharter.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Sun', is written over a light gray horizontal line.

John Sun
Chief Executive Officer

INTRODUCTION

Founded in 2004, PCSD is a non-profit real estate development organization whose mission is to provide charter schools with access to affordable and high-quality facilities. PCSD addresses the lack of affordable permanent facilities, which has been one of the primary challenges to the expansion of charter schools, by deploying of a team of experienced real-estate professionals to assist schools with the entire development process. This allows school clients to concentrate their time, money, and efforts on classroom instruction rather than classroom construction. PCSD has also raised a small pool of philanthropic dollars to close the gap in financing for charter schools developing permanent and affordable facilities. PCSD believes it is uniquely qualified to deliver MSA expansion project in the following ways:

- *Proven Performance* – Over the past 16 years, PCSD has built more than 100 charter school projects serving over 42,000 students in California and Washington State.
- *Mission Driven* - PCSD primarily serves charter schools that work in underserved communities with underperforming district-run schools. PCSD allows charter schools to maximize funding sources and focus on instruction rather than project management by providing services at a significant discount from its for-profit competitors. PCSD is constantly seeking to expand charter school facilities funding alternatives and leverage local and state dollars to augment private funding.
- *Resources* - PCSD has secured over \$900 million in financing for projects and consistently brings new funders and lenders to the charter school space, and has established relationships with lenders, including federally-certified Community Development Financial Institutions (CDFIs) and commercial banks. Given its successful development history, PCSD has had a key influence on charter facilities policy at state, city and district levels. PCSD also has a bench of proven architects and contractors who have designed and successfully built charter schools on time and on budget. In addition, PCSD has established key relationships with public officials and agencies that help our clients obtain the necessary government approvals.
- *Full-Service Provider* – In addition to traditional project management, PCSD provides a full spectrum of facilities services, including navigating the complex state facilities funding processes. PCSD's traditional services include feasibility and site analysis, site acquisition negotiation, entitlements, and project development. PCSD also oversees design, construction, and closeout to ensure projects are delivered on time and on budget.

PROJECT EXPERIENCE

PCSD has extensive experience in managing projects. The following is a sample of PCSD's privately funded charter school projects over the past five years.

Year	School	Grades	# Seats	Type
2015	Bright Star Valor Academy Middle School	5-8	512	New Construction
2015	Fenton Sunland FASEL STEM Academies	K-5	864	Renovation
2017	Endeavor College Prep	K-8	650	Renovation
2017	Alliance Manchester Health & Science	9-12	600	New Construction
2018	Bright Star Valor Academy High School	9-12	500	New Construction
2018	STEM Prep Elementary	TK-5	350	Renovation
2018	KIPP SoCal Comienza Community Prep	K-4	465	New Construction
2018	Equitas Academy III Elementary School	TK-5	500	New Construction
2019	KIPP SoCal – Corazón	TK-5	565	New Construction
2019	Ednovate – USC Hybrid High	9-12	480	New Construction
2019	Bright Star Stella Middle Charter Academy	5-8	500	New Construction
2020	STEM Prep Elementary Phase II	TK-5	100	Renovation
2020	Ednovate – East College Prep	9-12	200	New Const./Renovation

PROPOSED SCOPE OF SERVICES

PCSD proposes to provide the following project management services based on the preliminary description of MSA's project scope, status, and needs.

Project Assessment/Pre-Development

- Assist MSA in determining program needs and requirements
- Assess design requirements based on the needs of the academic program
- Validate current project scope, budget, soft and hard cost estimates, and schedule
- Develop a preliminary project budget and schedule, and manage them throughout the duration of the project
- Define the due diligence process to ensure the property is viable for school construction and understand any required costs to mitigate site conditions
- Manage the selection of project consultants for due diligence

Pre-construction

- Provide support in obtaining entitlements and municipal approvals
- Act as owner's representative in managing and coordinating the activities of the project architect and consultants, as well as City and other agencies if needed
- Oversee the architect's work in responding to municipal comments and obtaining approval, and obtaining construction clearances and permits required for the project
- Manage finalized project budget by tracking project expenses and cash flows, review and approve project invoices, and submit to school for processing
- Provide MSA with weekly project updates and regular budget and schedule updates

Construction

- Oversee the construction bid process to select the lowest qualified contractor required by MSA's procurement policy, review construction bids, and provide a recommendation of award
- Act as owner's representative in managing and coordinating the activities of the project architect, contractor, and consultants, as well as City and other agencies if needed
- Oversee the procurement of any additional project consultants required for the project during construction (inspections, security, etc.)
- Participate in applying for and securing new water, gas, and electric services
- Monitor work of contractor to ensure compliance with design documents and quality of work
- Manage finalized project budget by tracking project expenses and cash flows; review and approve contractor's payment applications; review and approve change orders; review and approve project invoices, and submit to school for processing
- Provide MSA with weekly project updates and regular budget and schedule updates
- Assist in coordinating contractor's work with installation of client-provided work (telecom, security, A/V, FF&E, etc.)

Post Construction

- Coordinate development of punch-list and ensure final inspections are completed, and punch list items are addressed
- Oversee final inspection approvals and issuance of Certificate of Occupancy
- Obtain closeout documentation, including warranties, guarantees, and lien releases
- Facilitate turnover of project from construction team to school operations (including systems training)
- Manage contractor's assembly of closeout materials (including O&M information as required) and coordinate receipt/distribution of as-built documents
- Assist MSA in facilitating resolution to any construction/warranty issues raised during the initial six weeks of occupancy
- Provide MSA with a comprehensive record of project files

PROPOSED STAFF

PCSD has an experienced staff with a proven track record and relies primarily on its in-house expertise to provide cost-effective services. Principals identified below are John Sun, Chief Executive Officer, and Akil Manley, Regional Director. Day-to-day project management will be provided by Joe Wilson, Project Director. Our team members' qualifications are described below and resumes are available upon request:

- **John Sun**, Chief Executive Officer - Before joining PCSD, John worked within the Los Angeles Unified School District to fund innovative facilities solutions for charter schools. He was also Vice President of New School Development at Green Dot Public Schools and oversaw Green Dot's growth strategy, advocacy, community outreach, and student recruiting efforts. As Director of Real Estate Development for Green Dot, he developed eight permanent charter school campuses in Los Angeles. His previous professional experience also includes work in community redevelopment and as a consultant with PwC. John holds a Master of Public Policy from the University of Southern California and a B.A. from the University of California at Berkeley.
- **Akil Manley**, Regional Director - Akil Manley has spent his career in real estate development focused on enhancing communities by developing facilities that support the underserved. He has led the development of urban infill new construction and adaptive reuse projects, entailing acquisitions, entitlements, design, construction, and disposition. Akil brings over 20 years of experience, developing over 1.5 million square feet and \$750 million in projects throughout Northern and Southern California. Akil is a graduate of the University of California, Riverside, and University of Southern California, Sol Price School of Public Policy.
- **Joseph Wilson**, Project Director - Joseph has over 20 years of real estate development experience, including entitlements, design, and construction. Before joining PCSD, he worked as a project manager overseeing numerous commercial real estate developments and approximately 35 childcare facilities. He has B.A. and J.D. degrees from Brigham Young University.

PROJECT MANAGEMENT FEE AND SCHEDULE

With an estimated 12-month project duration, our project management is a fixed fee of \$138,000, inclusive of reimbursable expenses. We believe it is in our clients' best interests to have a flat project fee for a defined project scope to avoid the uncertainty of unforeseen costs.

The proposed fee schedule will be structured as follows:

1. First fee installment - 4 monthly payments of \$7,500
2. Second fee installment - 4 monthly payments of \$12,500
3. Third fee installment – 4 monthly payments of \$14,500

If MSA and PCSD both agree there are significant pauses in the project schedule in which PCSD services are not required, the scheduled fee payments can be paused for an agreed amount of time.

INSURANCE

PCSD carries liability coverage of \$1M per occurrence with a separate \$10M umbrella policy. PCSD can provide proof of insurance upon request.

CLIENT REFERENCES

Bright Star Schools
Saman Karimi-Bravo, COO
sbravo@brightstarschools.org
(323) 954-9957

El Sol Science and Arts Academy
Monique Daviss, Executive Director
mdaviss@elsolacademy.org
(714) 543-0023

Fenton Charter Public Schools
Irene Sumida, Executive Director
isumida@fentoncharter.net
(818) 896-0293

YPI Charter Schools
Yvette King-Berg, Executive Director
ykingberg@ypics.org
(818) 305-2791



MEMORANDUM

Date: September 1, 2021

To: Magnolia Educational & Research Foundation dba Magnolia Public Schools ("**MPS**")
Finance Department

From: Alfredo Rubalcava, CEO & Superintendent

RE: Approval of Pacific Charter School Development, Inc. as a Service Provider to MPS
Without Formal Bidding

I. CEO Determination

I, Alfredo Rubalcava, MPS CEO and Superintendent, with MPS Staff have determined that Pacific Charter School Development, Inc. ("**PCSD**"), a California non-profit public benefit corporation and a tax exempt organization under State and Federal law, provides a unique service and as such the procurement of its services through a noncompetitive process is appropriate, in the best interests of MPS, and consistent with MPS's fiscal policies and procedures as adopted by the MPS Board of Directors on June 24, 2021.

II. Background

Pacific Charter School Development

PCSD was founded in 2004 by former President & CEO Glenn Pierce, Kim Smith and James Willcox, then of the NewSchools Venture Fund. The organization was formed to address the single greatest hurdle that high-quality charter schools face in educating urban children – securing adequate academic campuses. Recognizing this need, the three founders designed an organization that could marshal resources of the leading members of the philanthropic and socially-conscious community to produce new school seats in low income communities with the greatest need. NewSchools Venture Fund was instrumental in providing the seed capital and expertise required to establish the organization. Since PCSD's inception, NewSchools has been joined by The Broad Foundation, The Walton Family Foundation, and The Bill and Melinda Gates Foundation as providers of project equity. Operational support has been provided by these same organizations along with the Pisces Foundation, The Ahmanson Foundation, and The Weingart Foundation.

PCSD provides a suite of services that will benefit MPS and its continued growth and stability, including project management services, project development services (or lease to own), and short term loans on a case by case basis. PCSD has received funding from all the top philanthropic foundations that support the charter school movement. As a non-profit PCSD is not under the pressure of having to achieve a rate of return for investors or equity owners. Its metrics are based on the number of high quality charter school seats it creates in underserved communities.



MPS Fiscal Policies and Procedures

On June 24, 2021, the MPS Board of Directors adopted a Financial Policies and Procedures Manual for fiscal year 2021-2022. Section 1.0 (BIDDING REQUIREMENTS AND PROCESS) provides that “[n]ew service contracts in excess of \$50,000 shall be formally bid in accordance with” the requirements set forth in such section, which generally requires the publishing of a “request for proposals” or “RFP”. Subsection 2.1 of Section 2.0 (NONCOMPETITIVE NEGOTIATIONS) provides that “[n]oncompetitive negotiations may be used for procurements in excess of \$50,000 when bidding or competitive negotiations are not feasible.” It prescribes that “MPS may purchase goods and services through non-competitive negotiations when it is determined in writing by the Chief Executive Officer that competitive negotiation or bidding is not feasible and that . . . [t]he product or service can be obtained only from one source.”

PCSD is the only non-profit organization in the State of California that provides charter school facility development services. While there are a number of for-profit charter school facility developers serving the California and Los Angeles markets, their services are widely known to be more expensive than PCSD’s due to their “for profit” business model.

MPS’s current general counsel and director of facilities, Patrick Ontiveros, has disclosed that he was previously an employee of PCSD and that he is a member of the Board of Directors of Washington Charter School Development, Inc., a sister company to PCSD. Mr. Ontiveros receives no pecuniary benefit from either company.

A handwritten signature in cursive script that reads "Alfredo Rubalcava".

Alfredo Rubalcava
Chief Executive Officer and Superintendent