

Agenda Item:	IV D: Action Item
Date:	May 18, 2023
To:	Magnolia Educational & Research Foundation dba Magnolia Public Schools (" MPS ") Board of Directors (the " Board ")
From:	MPS Audit & Facilities Committee
Staff Lead(s):	Patrick Ontiveros, General Counsel & Director of Facilities Mustafa Sahin, Project Manager
RE:	Approval of Purchase by MPS of the Property at 7111 Winnetka Street from MPM Sherman Winnetka LLC for the Benefit of Magnolia Science Academy—5 (" MSA-5 ") Using Proceeds from the Charter School Facility Program Award

1. **Action Proposed:**

Staff moves for the Board to approve the purchase by Magnolia Public Schools of title to the property located at 7111 Winnetka Ave (the "**Property**") from MPM Sherman Winnetka LLC ("**MPM LLC**") for the benefit of Magnolia Science Academy-5 ("**MSA- 5**") using the proceeds from MSA-5's award under the Charter School Facilities Program upon receipt of the advanced release of site acquisition funds.

2. **Purpose:**

The purpose of this proposed action is to approve the purchase by MPS from MPM LLC of the Property in order to allow MPS to use the proceeds of a Charter School Facilities Program ("**CSFP**") award from the Office of Public School Construction ("**OPSC**") to build a new campus at the Property for the benefit of and occupancy by MSA-5.

3. **Background:**

Acquisition of Winnetka Ave Property

At its December 19, 2021 meeting, the MPS Board approved MPS signing a purchase and sale agreement ("**PSA**") for the purchase of the 7111 Winnetka Ave Property and making a good faith, refundable, escrow deposit of Two Hundred Thousand Dollars (\$200,000). Escrow for the purchase and sale of the Property was opened on December 22, 2021. MPS exercised all three (3) of its options to extend the contingency period and deposited an additional One Hundred Fifty Thousand Dollars. At its June 16, 2022 meeting the Board approved the waiver of the contingencies. At the June 16th meeting the Board also approved a loan from CLI Capital to fund the acquisition of the Property.

MPS assigned to MPM Sherman Winnetka LLC ("**Winnetka LLC**") the right to acquire and take title to the Property with a loan from CLI Capital. Winnetka Ave LLC is a subsidiary of Magnolia Properties Management, Inc., a 501(c)(3) support corporation. Concurrent with the foregoing

assignment, MPS entered into a lease for the Property with Winnetka Ave LLC. Escrow on the Property closed on October 21, 2022.

CSFP Award

MPS Staff applied for funding to the OPSC's CSFP program during the application period held from May 2, 2022 to June 3, 2022. CSFP provides funding to charter schools for new school facilities. On October 26, 2022, the State Allocation Board ("**SAB**") approved a preliminary apportionment in the amount of \$50,832,332. At its April 26, 2023 meeting the SAB approved advanced site acquisition funds and design funds in the total amount of \$13,832,733.20. See attached Exhibit A. The CSFP award will be used to construct a new campus for MSA-5 which is currently co-located with MSA-1 on MSA-1's campus.

4. Analysis & Impact:

MPS will use the proceeds from an advanced release of site acquisition funds in order to purchase the property from MPM LLC. MPS must hold title to the Property in order to use the full CSFP award to build a new campus for MSA-5.

5. Budget Implications:

The purchase of the Property by MPS from MPM LLC will be completed with the proceeds an advanced release of site acquisition funds, constituting a portion of the CSFP award. Therefore, there should be no impact on MSA-5's budget.

6. Committee Recommendation(s):

MPS Audit & Facilities convened for their meeting on Wednesday, May 10th and moved to approve this item for full Board approval.

7. Exhibits:

Exhibit A	Notification from OPSC of Approval of Advance Design and Site Acquisition Funds
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EXHIBIT A

OPSC Notification of Approval of Advance Site Acquisition and Design Funds

May 4, 2023

Mr. Mustafa Sahin
Project Manager
Magnolia Educational & Research Foundation
250 E. 1st Street, Suite 1500
Los Angeles, CA 90012

RE: Notice of Priority Funding Apportionment

Dear Mr. Sahin:

Congratulations! Magnolia Science Academy 5's new construction project, Office of Public School Construction (OPSC) Application Number 54/64733-00-104, received School Facility Program (SFP) Priority Funding Apportionments for design and site advances on **April 26, 2023**. Your approved items are enclosed.

Requirements for Requesting Advance Design and Site Funds

Provisions of receiving Priority Funding Apportionments for design and site advances stipulate that the Applicant must certify that it has already provided, or will provide, its funding share for the projects, has a current financial soundness determination by the California School Finance Authority and has entered into the Charter School Agreements. A *Fund Release Authorization* (Form SAB 50- 05) is used for this purpose.

Additional requirements must also be met to request site advance funding and because the Charter School will be holding title to the site. To assist the Applicant with submitting a complete and valid Form SAB 50-05 with supporting documentation, a checklist with these requirements has been enclosed with this letter.

Deadline to Submit Form SAB 50-05

A complete, valid Form SAB 50-05 for the design advance must be received by OPSC no later than **11:59 p.m. on July 25, 2023**. A complete, valid Form SAB 50-05 for the site advance must be received by OPSC no later than **11:59 p.m. on October 23, 2023**. If the Forms SAB 50-05 are not received by **11:59 p.m. on July 25, 2023 for the design advance and 11:59 p.m. on October 23, for the site advance**, the Apportionments will be rescinded without further Board action. The advances will receive new unfunded approval dates of July 25, 2023, for the design advance and October 23, 2023, for the site advance, pursuant to SFP Regulation Section 1859.90.3. For additional information on priority funding, please refer to the [Procedures for School Facility Program Funding](#) under the Resources tab on the OPSC website.

Submitting the Form SAB 50-05

Please note that for most projects, the Form SAB 50-05 may be submitted electronically via OPSC Online. You may visit our website at <https://www.dgs.ca.gov/OPSC/Resources/Page-Content/Office-of-Public-School-Construction-Resources-List-Folder/Online-Application-Links> for more information on accessing and using OPSC Online. For additional guidance on submitting the Form SAB 50-05 using OPSC Online, the Applicant can view OPSC's Virtual Training Presentation on Fund Release Authorizations on our YouTube page: <https://www.youtube.com/watch?v=ziJAo1xYXsQ>

The Form SAB 50-05 may also be submitted via email to: OPSCFundRelease@dgs.ca.gov and OPSCApplicationReviewTeam@dgs.ca.gov. If submitted via email, the Form may be accessed on the OPSC website at www.dgs.ca.gov/OPSC under the Forms tab.

Grant Agreement

In addition, the Applicant must also submit a signed Grant Agreement for each advance type prior to or concurrently with the Form(s) SAB 50-05. Grant agreement(s) were created and emailed to the Applicant when the Preliminary Apportionment(s) was approved in October 2022. If the Grant Agreement(s) were not received, please contact me. Grant Agreements should be emailed to OPSCGrantAgreements@dgs.ca.gov.

Should you have any questions concerning this matter or need additional information, you may contact me at Erin.Cunneen@dgs.ca.gov or (279) 946-8440, or my supervisor at Kevin.Fok@dgs.ca.gov or (279) 946-8456.

Sincerely,

Electronically signed May 4, 2023.

ERIN CUNNEEN

Analyst, Charter School Facilities Program
Office of Public School Construction

Enclosure

cc: Patrick Ontiveros, Charter School Staff
Kevin Fok, OPSC Program Services Supervisor
File: Correspondence – 54/64733-00-104

APPLICANT DATA

Applicant:	Magnolia Science Academy 5	PTN:	10199-45
Application No:	54/64733-00-104	County:	Los Angeles
School Name:	Magnolia Science Academy 5	District:	Los Angeles Unified
		Filing Basis:	District Wide

HISTORY OF PROJECT FUNDING

	Fund Code	Proposition	Previously Authorized	Authorized This Action	State Apportionment This Action
State Share					
CSFP Grant	957-540	1D	\$ 25,416,166.00	\$ (6,916,366.60)	
CSFP Grant	057-540	1D		6,916,366.60	\$ 6,916,366.60
Applicant Share					
CSFA Lease Amount	951-544	51	25,416,166.00	(6,916,366.60)	
CSFA Lease Amount	051-544	51		6,916,366.60	6,916,366.60
Total			\$ 50,832,332.00	\$ 0.00	\$ 13,832,733.20
Funding Sources: Proposition 1D Bonds/2006-Nov.; Proposition 51 Bonds/2016-Nov.					

APPLICATION DATA

Type of Project:	High School
Pupils Assigned:	K-6 75
	7-8 135
	9-12 243
Number of Classrooms:	17
Addition to an Existing Site:	No
Recommended Acres:	23.2
Master Plan Acres	
Proposed Acres:	1.74
Existing Acres:	

PROGRAM GRANT DATA

Base Grant	\$ 8,067,060.00
Multilevel Construction (17 CRs)	\$ 968,047.00
Site Acquisition	\$ 4,750,000.00
2 Percent	\$ 190,000.00
DTSC	\$ 712,500.00
Site Development	\$ 121,800.00
General Site	\$ 380,232.00
Urban Security	\$ 6,148,310.00
Inflator Factor	\$ 4,078,217.00
Total State Share (50%)	\$ 25,416,166.00
Applicant Share (50%)	\$ 25,416,166.00
Total Project Cost	\$ 50,832,332.00

STIPULATED TERMS & NEXT STEPS

Pursuant to the Board's action on April 26, 2023, the Applicant is required to submit a complete Fund Release Authorization (Form SAB 50-05) on or before July 25, 2023 for the design advance and October 23, 2023 for the site advance; otherwise, the apportionment will be rescinded without further Board action and will receive a new Unfunded Approval date of July 25, 2023 for the design advance and October 23, 2023 for the site advance.

The Form SAB 50-05 must be signed by the designated Applicant Representative and must be received by the Office of Public School Construction prior to 11:59 p.m. on July 25, 2023 for the design advance and October 23, 2023 for the site advance. The form may be submitted electronically via OPSC Online or via email to OPSCApplicationReviewTeam@dgs.ca.gov. OPSC will continue to accept hard copy versions that are mailed or hand delivered to the Office of Public School Construction at 707 Third Street, 4th Floor, West Sacramento, CA 95605.

The Applicant shall ensure that it is in compliance with all applicable laws, regulations and certifications it made on the program forms.

The Applicant is required to submit a signed Grant Agreement pursuant to School Facility Program Regulation Section 1859.90.4 for the project prior to or concurrent with a request for the release of funds.

The Applicant is responsible for ensuring that the project is compliant with Prevailing Wage Monitoring and/or Labor Compliance Program requirements at the time construction contracts are executed and/or construction commenced.

The above Charter School Grant is a maximum reservation of funding for each of the construction and site acquisition amounts (50 percent State share amount) and is not intended to reflect the actual project costs at the time the project is converted to a Final Charter School Apportionment (FCSA). The FCSA shall be based on SAB regulation allowances established at the time the project is converted and shall not exceed the maximum amounts in each category.

The Applicant is receiving \$3,952,733.20 in advance funding for design costs and \$9,880,000.00 in advance funding for site costs.

May 4, 2023

Mr. Mustafa Sahin
Project Manager
Magnolia Educational & Research Foundation
250 E. 1st Street, Suite 1500
Los Angeles, CA 90012

RE: Notice of Priority Funding Apportionment

Dear Mr. Sahin:

The Office of Public School Construction (OPSC) is pleased to inform you that the State Allocation Board, at its April 26, 2023 meeting, approved the Charter School's request to hold title to the project facilities at the Magnolia Science Academy 5 site, OPSC Application Number 54/64733-00-104.

Please keep in mind that additional security provisions are required when a charter school holds title, as set forth in EC Section 17078.63(a)(3)(B). These provisions include the following:

- A lien on the property on behalf of the Board
- A restrictive covenant specifying that the facilities be used only for public school purposes
- A remainder interest reverting to the school district in which the facilities are physically located or the Board in the event the district disclaims the interest

The Charter will need to work closely with the OPSC to ensure that these provisions are met.

We look forward to working with you as you move forward with this project. Should you have any questions concerning this matter or need additional information, you may contact me at Erin Cunneen@dgs.ca.gov or (279) 946-8440, or my supervisor at Kevin.Fok@dgs.ca.gov or (279) 946-8456.

Sincerely,

Electronically signed May 4, 2023.

ERIN CUNNEEN
Analyst, Charter School Facilities Program Office
of Public School Construction

Enclosure

cc: Patrick Ontiveros, Charter School Staff
Kevin Fok, OPSC Program Services Supervisor
File: Correspondence – 54/64733-00-104