



Date: December 6, 2019

To: Board of Directors

From: Kevin Sved, CEO

Subject: 407 Main Project and Authorization for Additional Preconstruction Expenses

Overview

On November 5, 2019 the Board approved a number of items in order to continue the development of the 407 Main Street project. This included authorizing execution of a letter of intent with the owner for a long-term lease and approximately \$150,000 of preconstruction expenses, including architectural and project management services. Since this time, staff has executed the letter of intent and submitted an application for a special use permit to the City of Watsonville. The Board also approved a \$250,000 loan from Pacific Charter School Development (PCSD) to help pay for preconstruction expenses which are projected to total approximately \$350,000. These expenses include architectural services; plan development for civil, mechanical, plumbing, and electrical; permit fees; and traffic studies. In order to continue moving the 407 project forward, additional expenditures up to approximately \$150,000 (for a total of \$300,000) will be necessary by the February 4, 2020 Board Meeting. A detailed breakdown of these expenses is attached.

Analysis

Increasing the investment by an additional \$150,000 is needed to allow the 407 project to move forward. The proceeds from the PCSD loan would be utilized to pay these expenses. The loan, provided at an interest rate of 1.5%, only requires interest payments for the next five years. The interest only payment on the full \$250,000 would be approximately \$3,750 annually, making the associated debt service on this investment affordable. Time is of the essence and therefore it is important to approve expenditures needed until the subsequent Board meeting. Furthermore, it is necessary for staff to be able to execute the service contracts in a timely manner.

Recommendation

It is recommended that the Board increase authorized preconstruction expenses from \$150,000 to \$300,000. Additionally, it is recommended that the Board authorize the CEO to approve execute preconstruction service contracts up to \$35,000.

Attachments:

- Preconstruction Expenses
- Resolution

**407 Main Street Project,
Preconstruction Expenses September 2019 to February 2020
December 6, 2019**

Security Deposit Associated with Letter of Intent	25,000
Legal Expenses	6,000
Preconstruction contracts with General Contractor and Mechanical, Electrical, and Plumbing design fees	30,000
Due Diligence: ALTA/Topographic	5,000
Architecture & Engineering (ARTIK)	110,000
Entitlements: Land Use/Planning Consultant	5,000
Entitlements: Filing Fees (City of Watsonville)	10,000
Environmental: Lead & Asbestos (ACM/LBP) Report	7,925
Environmental: Phase I Site Assessment	2,700
Environmental: Traffic Study/Assessment	20,000
Local Fees: Building Permits, Plan Check	11,000
Local Fees: Potential Impact Fees	10,000
Financing Costs for Lender to Begin Underwriting	15,000
Contingency - Hard and Soft Costs	20,000
Contingency - Financing Costs	20,000
Total Preconstruction Expenses Through February 2020	\$ 297,625

BOARD RESOLUTION 2019-17

December 10, 2019

Authority of CEO to Execute Project Loan Agreement

A RESOLUTION OF THE BOARD OF DIRECTORS of Navigator Schools authorizing expenditures of up to \$300,000 on preconstruction expenses for the 407 Main Street Project:

WHEREAS Watsonville Prep School (WPS) has a need for long-term facilities;

WHEREAS 407 Main Street in Watsonville has been identified as a viable site for a future WPS;

WHEREAS developing the 407 Main Street project for bid-ready construction drawings and city-approved plans requires a capital investment;

WHEREAS PCSD's loan to Navigator Schools at a 1.5% interest loan of up to \$250,000 will support the costs of preconstruction expenses;

WHEREAS preconstruction expenses for 407 Main Street include architectural services, project management services, permitting fees, and potentially other studies required by the City of Watsonville for consideration, including traffic and environmental impact studies;

WHEREAS time is of the essence and preconstruction service contracts may be as high as \$35,000;

RESOLVED, CEO of Navigator Schools is authorized to expend up to \$300,000 in preconstruction costs and has the authority to execute preconstruction service contracts up to \$35,000.

This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Directors of Navigator Schools at its regular meeting held on December 10, 2019 at Gilroy California.

Signature of Board Chair

Caitrin Wright

Navigator Schools, a California Nonprofit Public Benefit Corporation

The Secretary of the Corporation certifies that the above is true and copy of the resolution that was duly adopted at the dated meeting of the board of directors.

Signature of Secretary

John Flaherty

Date