

**\$17,000,000\***  
**CALIFORNIA SCHOOL FINANCE AUTHORITY (AUTHORITY)**  
**CHARTER SCHOOL REVENUE BONDS**  
**(URBAN DISCOVERY ACADEMY PROJECT)**  
**SERIES 2024A \$16,000,000 (TAX-EXEMPT) AND 2024B \$1,000,000 (TAXABLE)**  
**ITEM # 9 RESOLUTION 24-13**  
**STAFF SUMMARY**

EXECUTIVE SUMMARY			
<b>Applicant/Borrower:</b>	Fourteenth Street Holdings LLC & Russ Boulevard Holdings LLC	<b>Par Amount Requested:</b>	Not-to-Exceed * \$17,000,000
<b>Financing Term:</b> Fixed rate, up to 40-year financing, 10-year par call, with taxable bonds amortized first		<b>Projected Interest Rate:</b> 6.50%	
<b>Applicant Description:</b> Fourteenth Street Holdings LLC & Russ Boulevard Holdings LLC (together, the "Borrowers"), are California limited liability companies the sole member of which is Urban Discovery Schools, a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. The Borrowers were formed for the specific purpose of supporting Urban Discovery Schools.			
<b>Type of Financing:</b> Tax-Exempt and Taxable Revenue Bonds			
<b>Project User:</b>	Urban Discovery Academy	<b>County Served:</b>	San Diego
<b>District in Which Project is Located:</b>	San Diego Unified School District	<b>Charter Authorizer:</b>	San Diego Unified School District
<b>Financing Description:</b> Proceeds will be used to finance and refinance the cost of acquisition, construction, improvement, installation, furnishing and equipping of educational facilities located in San Diego, CA.; pay capitalized interest; fund working capital, and capitalized interest and/or a debt service reserve fund, if necessary; and pay certain costs of issuance.			
<b>Project Site(s):</b> 1) 840 14 <sup>th</sup> Street, San Diego 92101, and 2) 1400 Park Blvd., San Diego 92101			
<b>Financing Team:</b>		<b>Financing Details:</b>	
Bond Counsel:	Kutak Rock LLP	<b>Type of Issue:</b>	Charter School Revenue Bonds
Underwriter:	Stifel, Nicolaus & Co.	<b>Tax Status:</b>	Tax-Exempt & Taxable
Borrower's Counsel:	Procopio	<b>Maturity:</b>	Not to exceed 2064
Underwriter's Counsel:	Stradling Yocca Carlson & Rauth	<b>Credit Enhancement:</b>	Yes
Issuer's Counsel:	Office of the Attorney General	<b>Credit Rating:</b>	BB-
Financial Advisor:	Campanile Group	<b>Fees:</b>	See Costs of Issuance Table
Bond Trustee:	U.S. Bank Trust Company, NA		
<b>CSFA Analyst:</b> Robby Biegler		<b>Date of Staff Report:</b> April 18, 2024	
<b>Date of CSFA Board Meeting:</b> April 25, 2024		<b>Resolution Number:</b> 24-13	
<b>Staff Recommendation:</b> Staff recommends the Authority Board approve Resolution Number 24-13 authorizing the issuance of Revenue Bonds in an amount not to exceed \$17,000,000 to finance and refinance the acquisition, improvement, installation, furnishing, and equipping of certain educational facilities located in San Diego County for use by Urban Discovery Academy and to finance certain working capital, capitalized interest, required reserves and costs of issuance related thereto.			

## BACKGROUND AND SCHOOL OPERATIONS

Urban Discovery Academy (UDA) opened in September 2008 and is operated by Urban Discovery Schools (UDS). UDA has two campuses in downtown San Diego’s Innovation, Design, Education, and Arts (I.D.E.A.) District and Education Corridor. UDA currently serves 314 students in grades TK-12. Beginning in the 2024-25 school year UDA is expanding its college and career programming in partnership with UC San Diego (UCSD), Reality Changers, The American Institute of Graphic Design (AIGA), and the National Federation for Teaching Entrepreneurship (NFTE). UDA will build off existing programmatic and curricular programs to create two Career Technical Education (CTE) pathways in Design and Business/Entrepreneurship that culminate in workplace internships and career certifications from UCSD. Every student will have the opportunity to complete both pathways in addition to completing a full curriculum that meets the UC/CSU college entry requirements. Students will also have the opportunity to enroll in college preparatory programming with Reality Changers, a non-profit organization located on the UDA campus. While not the intention of the partnership, UDA anticipates that the partnership will increase enrollment (see enrollment projections below). The UDA charter has been renewed twice. Demographic information is provided below for the 2023-24 academic year.

Schools	Authorizer	Grades Served	School Year Established	Original Petition Approved	Most Recent Renewal	Charter Expiration*
Urban Discovery Academy	San Diego Unified School District	TK-12th	2008	2008	6/30/2018	6/30/2026

\* AB 130 (2021-22) extended all charter terms set to expire between January 1, 2022, and June 30, 2025 by two years and SB 114 (2022-23) extended all charter terms set to expire between January 1, 2024, and June 30, 2027, by one additional year.

Groups	%
Free-Reduced Lunch	59.7%
English Language Learner	21.0%
Students with Disabilities	18.4%
Black / African American	14.6%
American Indian / Alaska Native	0.0%
Asian / Pacific Islander / Filipino	2.5%
Hispanic	57.3%
White	17.5%
Multiracial / Unspecified	8.0%

The historical, current, and projected enrollment for UDA include:

	Historical					Current	Projected			
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	27-28
TK	20	23	26	17	24	17	15	20	25	30
Kinder	43	43	27	20	24	24	24	40	48	48
1st	51	42	49	40	25	21	24	26	44	50
2nd	49	52	42	40	34	20	24	26	28	48
3rd	56	53	52	43	37	34	22	26	28	36
4th	52	60	53	40	37	35	36	24	28	36
5th	53	60	59	50	31	38	38	38	26	36
6th	51	57	44	45	29	27	32	35	38	30
7th	58	56	56	35	27	15	27	35	40	44
8th	60	56	45	46	27	23	21	35	40	44
9th	39	30	23	18	30	12	22	35	40	40
10th	26	41	28	24	14	13	14	26	40	40
11th	20	29	34	31	19	20	14	20	30	40
12th		21	26	30	24	15	20	14	20	25
	578	623	564	479	382	314	333	400	475	547

As mentioned above, the increase in UDA enrollment is owed to a nascent ongoing partnership with UCSD.

**PROJECT DESCRIPTION**

The proceeds of the bonds will be used to (1) finance and refinance the acquisition, construction, improvement, installation, furnishing, and equipping of certain charter school educational facilities for UDA, located at and adjacent to 840 14<sup>th</sup> Street, San Diego, 92101 and 1400 Park Blvd., San Diego, 92101, (2) to pay certain expenses incurred in connection with the issuance of the Bonds, and (3) to fund working capital, all or a portion of a debt service reserve fund, and/or capitalized interest concerning the Bonds. A deposit to the Reserve Account for the Series 2024 Bonds in an amount of the Reserve Account Requirement is expected to be funded in whole or in part by proceeds of a grant under the Authority’s Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority if approved by the Authority.

Facilities Information				
Site	Landlord	Location	Purpose	Amount
Urban Discovery Academy	Fourteenth Street Holdings LLC	840 14 <sup>th</sup> Street, San Diego	Refinancing	\$10,490,000
Urban Discovery Academy	Fourteenth Street Holdings LLC	840 14 <sup>th</sup> Street, San Diego	Renovation	\$1,000,000
Urban Discovery Academy	Russ Boulevard Holdings LLC	1400 Park Blvd., San Diego	Renovation	\$1,000,000
<b>Total Estimated Project Costs</b>				<b>\$12,490,000</b>

Fourteenth Street Holdings LLC (FSH), one of the Borrowers, intends to use a portion of the proceeds of the bonds to refinance outstanding tax-exempt bonds issued by the California Municipal Finance Authority (CMFA) further described below. In addition, the Borrowers will apply proceeds of the Bonds to finance renovation costs and working capital for UDA.

In 2014 and 2015, UDA borrowed proceeds of bonds issued by CMFA in the original principal amounts of \$10,090,000 and \$925,000, respectively to build the UDA facility at 840 14<sup>th</sup> Street. The 14<sup>th</sup> Street school site consists of a 37,100-square-foot two-story facility. The facility has 19 classrooms, a library, a gymnasium, an art studio, and a multi-purpose room, in addition to facilities for administration, collaboration, general work, equipment, storage, and restrooms. The facilities sit on a 30,000-square-foot site with outdoor parking and playground areas leased from the San Diego Community College District. Of total bond proceeds, \$10,490,000 will be used to refinance the outstanding 2014 and 2015 CMFA bonds. An additional \$2,000,000 is dedicated to tenant improvements for the Borrowers' facilities at 14<sup>th</sup> Street and their 1400 Park Blvd. facilities. Those improvements include roof repair/raised decks; wall panels; signage; paint exteriors; furniture; and HVAC. Lastly, there is a \$500,000 line item for working capital intended for UDA cash flow needs as/if needed.

## FINANCING

**Borrower:** Fourteenth Street Holdings LLC and Russ Boulevard Holdings LLC are California limited liability companies, the sole member of which is UDS, a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, is the Borrower. The Borrowers were formed for the specific purpose of supporting UDS.

**Security and Source of Payment:** The Series 2024 Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement. Each Borrower will enter into a Leasehold Deed of Trust for its leasehold interest in the respective UDA campus, and a Reserve Account will be established under the Indenture. UDS, as the lessee, is required to maintain certain financial covenants under its lease agreements with the Borrowers. As additional security and in connection with the issuance of the bonds, UDA will provide instructions to the State Controller's Office to make an apportionment in the amounts, and on the dates provided, in a written notice sufficient in the aggregate to repay the bonds and pay necessary and incidental costs (the "Intercept"). Funds received by the Trustee under the Intercept will be applied solely for the uses and purposes outlined in the Indenture, including the payment of debt service on the Bonds. Under the laws of the State of California, no party, including UDS, the Borrower, or any of their respective creditors will have any claim to the money apportioned or to be apportioned to the Trustee by the State Controller's Office under the Intercept.

**Preliminary Sources and Uses and Preliminary Costs of Issuance:** Below are the preliminary estimated sources and uses, and detailed information about the expected costs of issuance for board consideration. Please note these figures are subject to change between the time the board packets are distributed and are further subject to final pricing. Members will be provided updated figures should significant changes occur before the board meeting date.

**Sources and Uses\***

<b>Sources:</b>	<b>Series 2024A (Tax-Exempt)</b>	<b>Series 2024B (Taxable)</b>	<b>Enhancement Grant</b>	<b>Total</b>
<b>Bond Proceeds</b>				
Par Amount:	\$13,335,000	\$980,000		\$14,315,000
Other Sources:				
Prior Reserve Fund	\$744,744			\$744,744
Enhancement Grant	\$0.00	\$0.00	\$1,016,250	\$1,016,250
<b>Total:</b>	<b>\$14,079,744</b>	<b>\$980,000</b>	<b>\$1,016,250</b>	<b>\$16,075,994</b>
<b>Uses:</b>	<b>Series 2024A (Tax-Exempt)</b>	<b>Series 202B (Taxable)</b>	<b>Enhancement Grant</b>	<b>Total</b>
<b>Project Fund Deposit</b>				
Refinancing of 2014-15 CMFA Bonds	\$10,490,000	\$0		\$10,490,000
Tenant Improvements	\$2,000,000	\$0		\$2,000,000
Cost of Issuance	\$86,275	\$463,530		\$549,805
Underwriter Discount	\$200,025	\$14,700		\$214,725
Capitalized Interest Fund	\$1,300,163	\$0		\$1,300,163
Working Capital		\$500,000		\$500,000
Debt Service Reserve Fund			\$1,016,250	\$1,016,250
Contingency	\$3,281	\$1,770		\$5,052
<b>Total</b>	<b>\$15,095,994</b>	<b>\$980,000</b>	<b>\$1,016,250</b>	<b>\$16,075,994</b>

**Total Costs of Issuance\***

<b>Expense</b>	<b>Amount</b>
Issuer Fee	\$17,158
Financial Advisor	\$90,000
Annual Admin Fee	2,147
Agent-for-Sale Fee	6,500
CDLAC Fee	3,000
Issuer's Counsel Fee	20,000
Bond Counsel Fee	125,000
Borrower's Counsel Fee	95,000
Underwriter's Counsel Fee	95,000
Rating Agency Fee	40,000
Trustee/Trustee Counsel Fee	9,000
Financial Printer Fee	5,000
Underwriter's Discount	214,725
Underwriter Fee	7,500
Title Insurance Fee	20,000
Appraiser Fee	7,500
Contingency Budget	10,000
<b>Total</b>	<b>\$764,530</b>

*\*Estimates based on principal amount of \$14,315,000*

**Credit Enhancement:** There will be a not-to-exceed \$1,100,000 credit enhancement award for the Borrowers, on behalf of UDA, for this financing that will be before the Authority Board as subsequent agenda items at the Authority's April board meeting. If approved, the enhancement awards will fund up to \$1,100,000 of the financing's debt service reserve fund, reducing the overall borrowing cost for the Borrower. *The actual award amount will be finalized at the pricing of the bonds.*

## SALES RESTRICTIONS

The following sales restrictions will apply to the financing given the likely below-investment-grade rating. The Authority's sales restrictions may be viewed at:  
<http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

### Sub-Investment Grade

1. Bonds will be in minimum denominations of \$250,000;
2. Bonds will be privately placed or publicly offered initially to Qualified Institutional Buyers (QIBs) and Accredited Investors (AIs).
3. Initial Bond purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of Bonds will be limited to QIBs and AIs;
5. Sales restrictions will be conspicuously noted on bond and described in detail in offering materials, if any, as well as in the bond documents;
6. One or more of the following will be required depending on the transaction, as requested by the financing team and approved by the Authority:
  - a. Traveling Investor Letter; or
  - b. Higher minimum denominations of \$250,000; or
  - c. Physical Delivery; or
  - d. Limited initial sale to QIBs, with subsequent transfers limited to QIBs as well; or
  - e. Other investor protection measures
7. Bond payments will be made via the intercept mechanism outlined in Education Code section 17199.4.

## OTHER PROJECT DATA

**Tax Equity and Fiscal Responsibility Act (TEFRA):** The TEFRA Notice was published on the Authority's Webpage on April 18, 2024. The TEFRA hearing will take place on April 25, 2024, prior to the Board meeting, and no comments are anticipated. If any are received, they will be reported at the meeting.

**Due Diligence Undertaken to Date:** The financial, operating, and other information concerning the Borrower, the Project, and related matters presented in this Staff Summary were provided by the Borrower, UDA and the Underwriter. The analysis contained herein was prepared by Authority Staff for the limited purpose of determining financial feasibility pursuant to Education Code section 17183.5 and providing the Authority Board with information concerning certain aspects of the Project. The review undertaken by Authority staff, the recommendation of Authority Staff to the Authority Board to approve the financing, or any approval by the Authority Board are not intended to, and did not, include all of the due diligence activities and other investigations necessary or desirable for the purpose of making an investment decision relating to the making of the financing by the Lender, and should not be relied on by any party for such purpose.

**Borrower Financial Data:** The Borrowers, Fourteenth Street Holdings LLC & Russ Boulevard Holdings LLC, are California limited liability companies and were formed to support UDS, by, among other things, holding title to property and managing, operating, and leasing property. Each of the Borrowers was formed as a single-purpose entity of which UDS is the sole member with no assets other than the

respective Facilities owned or leased by it and its rights under the respective Lease, which will be assigned to the Trustee. Each of the Borrowers was formed for the purpose supporting UDS, including by owning facilities, and is not expected to have any other assets or revenue available to make payments due under the Loan Agreement. The Lessee, UDS, is a California nonprofit public benefit corporation and organization described in Section 501(c)(3) of the Code and sole member of each of the Borrowers.

## STAFF RECOMMENDATION

Staff recommends the board adopt Resolution 24-13 authorizing the issuance of revenue bonds in an amount not to exceed \$17,000,000 to finance and/or refinance the acquisition, construction, expansion, renovation, furnishing, and equipping of certain educational facilities located in San Diego County for use by Urban Discovery Academy.

1. **Applicant / Borrower:** Fourteenth Street Holdings LLC & Russ Boulevard LLC
2. **Project:** Acquisition of Facility and related costs
3. **Amount of Financing:** Not to exceed \$17,000,000
4. **Maturity:** 40 years (Not-to-exceed 40 years)
5. **Repayment/Security:** Intercept of Lease Payments and Leasehold Deeds of Trust on Real Property
6. **Preliminary Interest Rate:** 6.50%
7. **Preliminary Cost of Issuance:** The preliminary Costs of Issuance is \$764,530.
8. **Not an Unconditional Commitment:** The Authority resolution shall not be construed as unconditional commitment to finance the Project, but rather the Authority's approval pursuant to the resolution conditioned upon entry by the Authority and Borrower into a loan agreement, in form and substance satisfactory to the Authority and its counsel.
9. **Limited Time:** The Board's approval expires 12 months from the date of its adoption. Thus, CSFA must issue the bonds no later than 12 months from that date. Once the approval has expired, the item must return to the Board for new approval.

**APPENDIX A:  
SCHOOL GOVERNANCE**

**School Leadership**

<b>Member</b>	<b>Position</b>
<b>Jenni Owen, Ed.D.</b>	<b>COO</b>
<b>Ron Dyste</b>	<b>Principal</b>
<b>Lori Martinez</b>	<b>Assistant Principal</b>

**Board of Directors**

<b>Member</b>	<b>Role</b>
<b>Maelin Levine</b>	<b>President</b>
<b>Edward L. Abeyta, Ph.D.</b>	<b>Vice President</b>
<b>Esther M. LaPorta</b>	<b>Secretary</b>
<b>Morgan Appel, Ph.D.</b>	<b>Treasurer</b>
<b>Irene Leivas-Howard</b>	<b>Member</b>
<b>Ann Hart Ed.D.</b>	<b>Member</b>
<b>Ron Miriello</b>	<b>Member</b>



## APPENDIX B: BUDGET PROJECTIONS

**Urban Discovery Academy**  
Multi-year Projection  
As of Mar FY2024

	2024-25	2025-26	2026-27	2027-28	2028-29
<b>SUMMARY</b>					
<b>Revenue</b>					
LCFF Entitlement	4,180,898	4,925,285	6,076,520	7,228,511	7,889,998
Federal Revenue	390,129	245,795	273,809	305,760	326,461
Other State Revenues	1,263,522	1,378,724	1,536,115	1,791,304	1,967,791
Local Revenues	9,100	9,100	9,100	9,100	9,100
Fundraising and Grants	532,000	320,000	320,000	320,000	320,000
<b>Total Revenue</b>	<b>6,375,649</b>	<b>6,878,904</b>	<b>8,215,544</b>	<b>9,654,676</b>	<b>10,513,350</b>
<b>Expenses</b>					
Compensation and Benefits	3,463,316	3,803,585	4,213,432	4,700,399	4,964,858
Books and Supplies	531,726	457,724	526,571	595,139	635,612
Services and Other Operating Expenditures	2,067,982	2,370,915	3,018,532	3,262,714	3,407,597
Depreciation	30,042	32,709	32,709	32,709	32,709
Other Outflows	-	-	-	-	-
<b>Total Expenses</b>	<b>6,093,066</b>	<b>6,664,932</b>	<b>7,791,244</b>	<b>8,590,961</b>	<b>9,040,776</b>
<b>Operating Income</b>	<b>282,583</b>	<b>213,972</b>	<b>424,300</b>	<b>1,063,714</b>	<b>1,472,574</b>
Add: 2024 Lease Payments	412,013	557,138	980,575	990,375	994,200
Add: Deprecation	30,042	32,709	32,709	32,709	32,709
<b>Net Income for Lease Payments</b>	<b>724,638</b>	<b>803,819</b>	<b>1,437,584</b>	<b>2,086,799</b>	<b>2,499,483</b>
<b>Coverage</b>	<b>1.76</b>	<b>1.44</b>	<b>1.47</b>	<b>2.11</b>	<b>2.51</b>