

## MEMORANDUM

Staff Summary No. 5

**Date:** April 25, 2024

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

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

**Subject:** Resolution 24-14, Approving the Credit Enhancement (CDFA #84.354A) Award in an Amount Not to Exceed \$1,100,000 to Fourteenth Street Holdings LLC and Russ Boulevard Holdings LLC on behalf of Urban Discovery Schools, located in San Diego County.

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**Background:** The California School Finance Authority (Authority) received a grant award in 2021 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 permitted early access funds to the Charter Finance Enhancement Program (Charter FinE). This federal grant, authorized under Title IV, Part C, Section 4304 of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA), will provide \$10,000,000 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:** At its April 25, 2024, meeting, the CSFA Board will be presenting a bond financing for Urban Discovery Academy (UDA) in a not-to-exceed amount of \$17,000,000.

The proceeds of the bonds will be used to: (1) finance and/or refinance the acquisition, construction, expansion, 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.

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 UDA.

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

- Good Standing – CSFA has confirmed with UDA's authorizer, San Diego Unified School District, that UDA is in good standing and in compliance with the terms of its charter.
- Applicant is located in a school district and/or county where at least 50% of students do not meet the State standard for proficiency in either math or

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language on the state assessment, or is located in a school district and/or county with more than 50% of the student population eligible for free or reduced-price lunch (San Diego Unified School District and San Diego County, where UDA is located, are substantially above this threshold), or has more than 50% of current or projected student enrollment who are eligible for free or reduced-price lunch; and/or

- Applicant has demonstrated the ability to secure 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.

**Recommendation:** Staff recommends the Board adopt Resolution No. 24-14, awarding the Borrower, on behalf of the operator of Urban Discovery Academy, a Charter Finance Enhancement Program (CDFA #84.354A) Award in a not-to-exceed amount of \$1,100,000.