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Memo

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Kelly Krag-Arnold, Policy Specialist – Office of Charter Schools

Board Meeting Date December 2, 2020

Subject Prop 51 Long-term Facilities Use: Achieve Academy and Memorandum of Understanding: Achieve Academy

Action First Reading

Background Prop 51 allows charter schools to apply for funding of new construction and/or rehabilitation projects of district-owned facilities that are at least 15 years old. Through Prop 51, Achieve Academy was awarded up to \$21.8 million to invest in the Hawthorne campus for modernization only. It is an expectation of Prop 51 that the District would sign a long-term lease with the charter school because the charter school would take on a loan for half the cost of the construction project.

The primary terms of the lease are as follows:

- Achieve will receive a long-term lease of the following duration: July 1, 2021 through June 30, 2036 (with options to extend for 15 years and then 10 years)
- Achieve plans to use Prop 51 funds to rehabilitate the existing facilities it occupies
- Achieve will cap charter enrollment at the current charter authorized limit, and agrees not to request a material revision for enrollment growth throughout the duration of this lease unless mutually agreed upon by the District and the charter school
- Achieve will not increase the capacity of the site to serve more students
- Achieve intends to turn over three portable classrooms to UPA to allow the school to expand

The Memorandum of Understanding (“MOU”) is an agreement between the State of California, Achieve Academy, and Oakland Unified. As a requirement to receive Prop 51 funding, this MOU must be approved by the District.

As stated on page 2 of the MOU, the intention of the MOU is to “tie together two (2) separate legal agreements: (i) a Funding Agreement by and between the State and the Charter School; and (ii) a Facilities Use Agreement by and between the School District and the Charter School.”

This MOU outlines the rules and conditions of Prop 51 and the obligations of the charter school to the State. This MOU is the template language the State uses for all Prop 51 agreements. It is the same MOU language that the Board previously approved and signed for Lazaar, LPS R&D, and Aspire BMA.

Discussion

For the Board’s discussion at the First Read, two potential areas to focus on:

- Review the pricing structure of in-district vs out-of-district students
- Consider the application of the long-term lease criteria to Achieve Academy

Fiscal Impact

Through Prop 51, the charter school will be investing up to \$21.8 million in rehabilitation on the Hawthorne site. The charter school will receive half of this money as a grant, and the other half as a loan to be paid back to the State over 30 years. The District will hold title to the increased value of this property.

The Facilities Use Agreement also includes a payment structure for facilities fees to be paid to the District. In addition to the annual 1% oversight fee, Achieve will pay fees to the District according to the below schedule.

Term	Fees Paid for In-District Students	Fees Paid for Out-of-District Students (if >10% of enrollment)
Years 1-5	0.50% of revenue	0.95% of revenue
Years 6-15	0.50% of revenue	0.95% of revenue
Years 16-25	0.75% of revenue	1.20% of revenue
Years 26-35	1.00% of revenue	1.45% of revenue
Years 36+	2.00% of revenue	2.45% of revenue

The MOU has no direct fiscal impact for the District, as the fiscal impact comes from the long-term lease. Signing this MOU allows the charter school to begin to draw down 10% of Prop 51 funds to use for the design and scoping of the renovation project

Attachment

Achieve will assume all maintenance and other facilities costs for the Prop 51 facility.
 Facilities Use Agreement with Exhibits A and B
 Memorandum of Understanding
 Presentation on Long Term Lease Criteria