

STAFF REPORT
City of Lancaster

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Date: September 27, 2016

To: Mayor Parris and City Council Members

From: Vern Lawson, Economic Development Director

Subject: **TEFRA Hearing/Approval of Charter School Revenue Bonds for Beech Charter School Properties, LLC.**

Recommendation:

Adopt **Resolution No. 16-50**, approving the issuance of charter school revenue bonds (the “Bonds”) by the California Municipal Finance Authority (“CMFA”) in an aggregate principal amount not to exceed \$5,000,000 for the financing of the acquisition of land and the improvements thereto located at 44339 Beech Avenue, Lancaster, California 93534 and the construction of additional improvements thereto pursuant to Section 147(f) of the Internal Revenue Code of 1986.

Fiscal Impact:

There is no financial impact. The City itself is not a party to the underlying financing, is not issuing the Bonds, is not obligated to repay the Bonds and is not pledging or otherwise committing any of the City’s revenue or other assets to secure repayment of the Bonds. The Bonds are payable solely from revenue received pursuant to the terms and provisions of certain financing agreements to be executed by the School.

Background:

Founded in 2011, Life Source International Charter School’s mission is to meet the needs of underserved and disadvantaged students of our community by supporting and expanding their academic and human potential. Located in a census tract which suffers higher rates of poverty and unemployment, as well as lower educational attainment than the citywide averages, this kindergarten through eighth-grade institution is working to provide a culturally and linguistically responsive hands-on approach to learning for the students who need it most.

After five years in operation, Life Source is ready to take the next step in expanding its offerings to our local community. They are now seeking approval of a tax-exempt bond issuance which will enable them to purchase the property on which they are currently situated and make substantial tenant improvements in an effort to further enhance the educational setting for their students.

Lancaster School District (LSD) issued Life Source its charter in 2011. Staff has reached out to LSD regarding Life Source's plans, and Superintendent Michelle Bowers confirmed the district's support for the City to proceed with hosting the TEFRA hearing and approving issuance of the bonds. As the governing body in Life Source's jurisdiction, the City is merely serving as a conduit in this process.

Beech Charter School Properties, LLC, the California limited liability company associated with Life Source (the "Borrower"), has requested that the CMFA participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$5,000,000 (the "Bonds") for the financing of: (1) the acquisition of land and the improvements thereto located at 44339 Beech Avenue, Lancaster, California 93534 and the construction of additional improvements thereto (collectively, the "Facilities"); (2) capitalized interest, if necessary, with respect to the Bonds; (3) a reserve fund, if necessary, with respect to the Bonds; and (4) certain expenses incurred in connection with the issuance of the Bonds, including any applicable credit enhancement costs for the Bonds (such purposes are referred to herein collectively as the "Project").

The Facilities are to be acquired by the Borrower, and leased to Life Source International Charter School (the "Corporation"), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code").

The Borrower requests that the City approve CMFA's issuance of the Bonds in order to finance the above-mentioned project. The Bonds will be tax-exempt private activity bonds for purposes of the Internal Revenue Code and, as such, require the approval of the elected body of the governmental entity having jurisdiction over the area where the project to be financed is located. In order for the City to approve CMFA's issuance of the Bonds, the City must conduct a Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing to allow for public comment on the use of the tax exempt bond financing. Notice of the TEFRA hearing was published in the Antelope Valley Press, a newspaper of general circulation in the community, on September 13, 2016 and September 20, 2016, and the public hearing is scheduled for September 27, 2016.

The City has a significant interest in the success of these projects. Therefore, staff recommends adoption of this resolution in order to approve CMFA's issuance of the charter school revenue bonds pursuant to Section 147(f) of the Internal Revenue Code of 1986. Adoption of this resolution does not establish or warrant in any manner the creditworthiness or repayment of the Bonds.

Attachment:

Resolution No. 16-50