

**\$24,500,000\***  
**CALIFORNIA SCHOOL FINANCE AUTHORITY**  
**EDUCATIONAL FACILITY TAXABLE LOAN - SERIES 2024**  
**(EDNOVATE INC.)**  
**ITEM #10 - RESOLUTION 24-48**  
**STAFF SUMMARY**

**EXECUTIVE SUMMARY**

<b>Applicant/Borrower:</b>	PMC Support Corporation	<b>Par Amount Requested:</b>	Not-to-Exceed * \$24,500,000
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<b>Financing Term:</b> Up to 40 years	<b>Interest Rate:</b> Not to exceed 5.25%
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**Applicant Description:** PMC Support Corporation and Ednovate, Inc. are both CA non-profit public benefit corporations.

**Type of Financing:** Educational Facility Taxable Loan

<b>Project User:</b>	Ednovate, Inc.	<b>County Served:</b>	Los Angeles County: Hybrid, Esperanza, Orange County: Legacy
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<b>District in Which Project is Located:</b>	Los Angeles County Office of Education and Santa Ana Unified School District	<b>Charter Authorizer:</b>	Los Angeles Unified School District & Orange County Office of Education.
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**Project Description:** The financing will: 1) Refinance a leverage loan associated with a New Markets Tax Credit (NMTC) unwind for USC Hybrid High College Prep (Hybrid); 2) Refinance two existing loans for Esperanza College Prep (Esperanza); and 3) Refinance one existing loan for Legacy College Prep (Legacy).

**Project Sites:** The financing will fund the following school facilities: 1) Hybrid - 3939 S. Vermont Ave, Los Angeles, CA 90037; 2) Esperanza - 414 Atlantic Blvd, Los Angeles, CA 90022; and 3) Legacy - 1450 17th Street, Santa Ana, CA 92705.

<b>Financing Team:</b>		<b>Financing Details:</b>	
Lender:	Equitable Facilities Fund, Inc.	<b>Type of Issue:</b>	Educational Facility Taxable Loan (Private Placement)
Lender's Counsel:	Orrick, Herrington & Sutcliffe LLP	<b>Tax Status:</b>	Taxable
Borrower's Counsel:	Musick, Peeler & Garrett LLP	<b>Maturity:</b>	Up to 40 years
Issuer's Counsel:	Attorney General's Office	<b>Credit Enhancement:</b>	No
Issuer:	California School Finance Authority	<b>Credit Rating:</b>	BB+ (estimated)
Master Trustee:	Wilmington Trust, N.A.	<b>Fees:</b>	See Costs of Issuance Table

**CSFA Analyst:** Mita Parikh

**Date of CSFA Board Meeting:** September 26, 2024      **Resolution Number:** 24-48

**Staff Recommendation:** Staff recommends the California School Finance Authority Board approve Resolution Number 24-48 authorizing a loan in an amount not to exceed \$24,500,000, to finance and/or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of certain educational facilities located In Los Angeles County and Orange County for use by Ednovate, Inc.

## BACKGROUND AND HISTORY

**Borrower:** PMC Support Corporation (PMC) was formed in 2015 and will serve as the borrower. PMC is a CA nonprofit public benefit corporation. PMC operates exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Ednovate, Inc. (Ednovate). PMC is the sole member of four limited liability companies (LLCs) including PMC Vermont LLC, PMC Atlantic LLC, PMC 17th Street LLC, and PMC North Mission Road LLC. These LLCs are special purpose entities that were formed for the purpose of holding the property and leasing the facilities back to the Ednovate schools.

**School Information:** Ednovate is a CA nonprofit public benefit corporation. Ednovate operates a total of seven schools, with two of the seven schools currently in the obligated group (Brio, Legacy). Hybrid and Esperanza will be added to the obligated group. The network currently (FY 24) serves a total of 2,653 students, of which 1,949 students are enrolled in the post-closing four-school obligated group. Ednovate plans to refinance debt associated with Hybrid, Esperanza, and Legacy.

**Lender:** EFF is a Delaware nonstock nonprofit corporation that has 501(c)(3) tax-exempt status as a public charity. EFF was initially funded by philanthropic contributions from the Walton Family Foundation, and is organized to make low-cost, long-term, fixed rate loans to charter schools for facilities. The EFF program is set up as a revolving loan fund, so that as existing school loans are repaid, the loan repayment revenues can be used to make new loans. In addition, EFF has obtained, and will continue to seek, capital market financing in the form of tax-exempt bonds to leverage the revenue streams from their pool of school loans. Depending on the locations of the projects financed by the loans over time, EFF will issue bonds using various conduit issuers in various jurisdictions, and, as it did in connection with its prior bond issuances in 2019, 2020, 2021, 2022, and 2023, EFF will use the proceeds of such bonds to reimburse itself for loans it previously originated, in order to make additional loans.

*Orrick, Herrington & Sutcliffe LLP (Orrick) represents EFF, and acts as its primary outside counsel on all lending and financing transactions nationally. Orrick's relationship with EFF is managed by Eugene Clark-Herrera.*

## PROJECT DESCRIPTION

Loan proceeds will finance the following facilities for: Hybrid: The ~29,300 sq. ft. facility located at 3939 South Vermont Avenue houses approximately 510 students in grades 9-12. Facility is owned by PMC Vermont LLC. For Esperanza, the ~30,000 sq. ft. facility located at 414 Atlantic Blvd. houses approximately 500 students in grades 9-12. The facility is owned by Tallact, LLC (a third-party landlord) and leased to PMC Atlantic LLC. Lastly, for Legacy, the ~25,500 sq. ft. facility located at 1450 17th Street houses approximately 415 students in grades 9-12. The facility is owned by PMC 17th Street LLC.

**Refinance of NMTC unwind for Hybrid:** In October 2017, PMC Vermont LLC (special purpose entity of Hybrid) closed a NMTC financing to finance the acquisition and renovations of Hybrid's existing ~29,300 sq. ft. facility, located on a 0.81-acre parcel of land at 3939 South Vermont Avenue, which houses ~510 students in grades 9-12. The facility includes 18 classrooms, 6 meetings rooms, private offices, administrative office space, performance area, sports court, and a parking lot. The proposed EFF financing will refinance the NMTC leverage loan of ~\$9.3 million. The facility is owned by PMC Vermont LLC and leased to Hybrid.

**Refinancing of debt for Esperanza:** Ednovate obtained a loan from Pacific Charter School Development (PCSD) in January 2021 and PMC Atlantic LLC (special purpose entity of Esperanza) obtained a loan from Self Help in August 2021 for the construction and renovations of Esperanza's existing ~30,000 sq. ft. facility, located on a 0.96-acre parcel of land at 414 Atlantic Blvd, which houses

~500 students in grades 9-12. The facility includes 20 classrooms, administrative offices, meeting rooms, studios, an auditorium, and a sports court. The proposed EFF financing will refinance the PCSD and Self-Help loans. The facility is owned by Tallact LLC (third-party landlord) and leased to PMC Atlantic LLC, which then subleases the facility to Esperanza.

**Refinancing of debt for Legacy:** Ednovate obtained a loan from Charter School Growth Fund (CSGF) in July 2018 for renovations at Legacy’s existing ~25,500 sq. ft. facility, located on a ~1.3 acre parcel of land at 1450 17<sup>th</sup> Street, which houses ~415 students in grades 9-12. The facility includes 19 classrooms, administrative offices, a multi-purpose room, and a basketball court. The facility is owned by PMC 17<sup>th</sup> Street LLC and leased to Legacy.

Loan proceeds will be used for the following purposes and allocations:

#	Site	Landlord	Location	Purpose	Amount
1	Hybrid	PMC Vermont LLC	3939 S. Vermont Ave, Los Angeles, CA 90037	Refinancing	\$ 9,343,342.00
2	Esperanza	PMC Atlantic LLC	414 Atlantic Blvd, Los Angeles, CA 90022	Refinancing	\$ 11,803,647.00
3	Legacy	PMC 17th Street LLC	1450 17th Street, Santa Ana, CA 92705	Refinancing	\$ 1,375,000.00
<b>Total Estimated Project Costs</b>					<b>\$ 22,521,989.00</b>

Ednovate Obligated Group - 5-Year Enrollment Projections\*

	2024-25	2025-26	2026-27	2027-28	2028-29
Hybrid	510	510	510	510	510
Esperanza	500	500	500	500	500
Brio	495	495	495	495	495
Legacy	400	415	415	415	415
<b>Obligated Group Total</b>	<b>1,905</b>	<b>1,920</b>	<b>1,920</b>	<b>1,920</b>	<b>1,920</b>

\*2024 post-closing Obligated Group Schools = USC Hybrid High College Prep (Hybrid), Esperanza College Prep (Esperanza), Brio College Prep (Brio), and Legacy College Prep (Legacy)

**FINANCING**

In the proposed loan to the Borrower, structured as a conduit loan through CSFA, Orrick would act as EFF’s counsel. Although Orrick would not have an attorney-client relationship with CSFA on the Ednovate transaction, Orrick would perform most, if not all, of the tasks ordinarily performed in other transactions when acting as bond counsel to CSFA. While these tasks are associated with the role of “bond counsel”, there is no legal or ethical requirement that the firm performing these tasks be retained

by the conduit issuer. In this transaction, EFF and Ednovate have agreed that Orrick should perform these tasks because of its prior experience in doing so on similar transactions. The only difference on this transaction would be that Orrick's client relationship is not with CSFA, but instead with EFF. Therefore, in this transaction, the Attorney General's Office will represent CSFA (as issuer's counsel), without need for an additional law firm to act as CSFA's outside bond counsel.

The financing will be structured as a tri-party loan, with EFF as the lender, CSFA as the conduit loan facilitator, and PMC as the borrower. As with the previous loans through EFF, the intercept will lower the costs for Ednovate vs. a conventionally-structured loan.

Loan will be executed and delivered pursuant to a loan agreement among CSFA, EFF, and the Borrower

**Security and Source of Payment:** Promissory Note, executed by the Borrower in favor of Charter School Finance Authority. Obligation issued by the Obligated Group under the Master Trust Indenture, including a pledge of rental revenues of the Obligated Group Schools and mortgages on all related real property interests naming Master Trustee as mortgagee. The rents under the leases with PMC Vermont LLC, PMC Atlantic LLC (sublease), and PMC 17th Street LLC will be subject to intercept. All payments subject to the Intercept shall only be transferred to EFF for loan issued by the California School Finance Authority or for payment of ground rent.

**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 the time the Board meets, 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>2024 Loan (Taxable)</b>	<b>Total</b>
<b>Bond Proceeds</b>		
Par Amount:	\$ 23,753,950.00	\$ 23,753,950.00
<b>Total:</b>	\$ 23,753,950.00	\$ 23,753,950.00
<b>Uses:</b>	<b>2024 Loan (Taxable)</b>	<b>Total</b>
<b>Project Fund Deposit</b>		
Project #1: Hybrid	\$ 9,343,342.00	\$ 9,343,342.00
Project #2: Esperanza	\$ 11,803,647.00	\$ 11,803,647.00
Project #3: Legacy	\$ 1,375,000.00	\$ 1,375,000.00
<b>Other Fund Deposits</b>		
Debt Service Reserve Fund:	\$ 701,961.00	\$ 701,961.00
<b>Delivery Dates Expenses</b>		
Cost of Issuance	\$ 530,000.00	\$ 530,000.00
<b>Total:</b>	<b>\$ 23,753,950.00</b>	<b>\$ 23,753,950.00</b>

**Total Costs of Issuance\***

<b>Expense</b>	<b>Budgeted Amount</b>
Issuer Fee	\$21,808.29
Annual Admin Fee	\$3,542.49
Agent-for-Sale Fee	\$3,500.00
Issuer's Counsel Fee	\$10,000.00
Financial Advisor Fee	\$50,000.00
Bond Counsel Fee	\$140,000.00
Borrower's Counsel Fee	\$75,000.00
Underwriter's/Disclosure Counsel Fee	\$5,000.00
Rating Agency Fee (If Applicable)	\$25,000.00
Trustee Fee	\$3,000.00
Trustee's Counsel Fee	\$7,000.00
Title Insurance Fee	\$150,000.00
Appraiser Fee	\$5,000.00
Contingency	\$9,649.22
Other: CDIAC Application Fee	\$26,500.00
<b>Total COI</b>	<b>\$530,000.00</b>

## SALES RESTRICTIONS

The following sales restrictions will apply. The Authority's sales restrictions can be viewed at: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

The Loan will be non-transferable except between EFF and its affiliated entity, Equitable School Revolving Fund, LLC (ESRF), and in the case of default, to QIBs. The following restrictions will apply:

1. The Note will not be broken into smaller denominations;
2. The Note will be privately placed with EFF and/or ESRF;
3. EFF and ESRF will each be required to execute an Investor Letter;
4. Subsequent transfers of the Note will be limited to transfers between EFF and ESRF or to Qualified Institutional Buyers in the case of a default;
5. Sales restrictions will be conspicuously noted on the Note and described in detail in offering materials, if any, as well as included in the Loan documents;
6. Loan repayments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code.

## OTHER PROJECT DATA

**Tax Equity and Fiscal Responsibility Act (TEFRA):** Not applicable as this is a taxable loan.

**Due Diligence Undertaken to Date:** The financial, operating, and other information concerning the Borrower, the Project, and related matters presented in this Staff Summary was provided by the Borrower and Lender. The analysis contained herein was prepared by CSFA Staff for the limited purpose of determining financial feasibility pursuant to Section 17183.5 of the CSFA Act and providing the CSFA Board with information concerning certain aspects of the Project. The review undertaken by CSFA staff, the recommendation of CSFA Staff to the CSFA Board to approve the financing or any approval by the CSFA 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:** Pursuant to Section 17183.5 of the CSFA Act, financing through the Authority is to be provided only to projects demonstrated by the participating party to be financially feasible. In demonstration feasibility, the participating party may take into account all of its funds, and may base future projections upon historical experience or reasonable expectations, or a combination thereof. Nothing in Section 17183.5 shall be construed to imply that any project is required to produce revenue in order to be financed under this chapter.

## STAFF RECOMMENDATION

Staff recommends the California School Finance Authority's (CSFA) Board approve Resolution Number 24-48 authorizing the Educational Facility Taxable Loan in an amount not to exceed \$24,500,000 to finance / refinance educational facilities located in Los Angeles County, and Orange County California for use by PMC Support Corporation, a California nonprofit public benefit corporation.

1. **Applicant / Borrower:** PMC Support Corporation / Ednovate, Inc.
2. **Project:** Refinancing for three facilities: USC Hybrid High College Prep, Esperanza College Prep, and Legacy College Prep
3. **Amount of Financing:** Not –to- exceed \$24,500,000
4. **Maturity: Up to 40 years**
5. **Repayment/Security:** Lease Payments and Deeds of Trust on Real Property
6. **Interest Rate:** Not to exceed 5.25%
7. **Fees:** \$530,000\* is the total Costs of Issuance
8. **Not an Unconditional Commitment:** The CSFA resolution shall not be construed as unconditional commitment to finance the Project, but rather CSFA's approval pursuant to the resolution conditioned upon entry by CSFA and the Borrower into a loan agreement, in form and substance satisfactory to CSFA and its counsel.
9. **Limited Time:** The Board's approval expires 12 months from the date of its adoption. Thus, CSFA must enter into the loan agreement no later than 12 months from such date. Once the approval has expired, the item must return to the Board for new approval.

## APPENDIX A: ESTIMATED BUDGET AND ENROLLMENT (PROJECTED)

### EFF Financial Worksheet Template

INSTITUTION NAME: **Ednovate (OG Schools)**

Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028	2029
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**GENERAL**

Fiscal Year End	06/30/2021	06/30/2022	06/30/2023	06/30/2024	06/30/2025	06/30/2026	06/30/2027	06/30/2028	06/30/2029
Statement Basis	Audited	Audited	Audited	Annual	Projected	Projected	Projected	Projected	Projected

**Student Demand and Enrollment**

Number of Schools (in OG/Spread)	4	4	4	4	4	4	4	4	4
Grades Offered	9-12	9-12	9-12	9-12	9-12	9-12	9-12	9-12	9-12
Total FTE Enrollment (Daily Avg Attendance)	1,776	1,864	1,871	1,949	1,905	1,920	1,920	1,920	1,920

**Revenues**

Per Pupil Funding:

Local Funding	20,206,134	24,497,125	26,919,666	32,669,309	29,429,334	30,320,070	31,078,072	31,855,023	32,651,399
State Funding	3,049,125	3,620,088	4,565,760	3,843,762	5,446,311	5,490,336	5,509,804	5,188,281	4,849,343
Federal Funding	1,656,290	2,118,550	1,856,805	1,821,952	1,448,951	1,748,059	1,791,761	1,836,555	1,882,469
COVID/ESSER Related Grants	2,059,298	2,869,185	2,015,444	1,158,562	250,000				
Grants/Fundraising/Contributions	360,048	195,471	287,446						
Net Assets Released from Restriction		50,000							
Interest Income	17,947	18,652	23,184						
Other Revenue	62,573	155,360	8,178	129,072	82,464	184,969	189,093	193,310	197,623

<b>Total Revenue</b>	<b>27,411,415</b>	<b>33,524,431</b>	<b>35,676,483</b>	<b>39,622,657</b>	<b>36,657,060</b>	<b>37,743,434</b>	<b>38,568,730</b>	<b>39,073,169</b>	<b>39,580,834</b>
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**Expenses**

Program Services	11,769,986	15,076,193	17,163,557	19,143,064	15,985,851	16,247,282	16,628,248	16,580,274	16,905,513
Management and General	2,659,386	5,619,022	4,043,832	5,294,254	6,775,902	6,968,976	7,142,561	7,320,487	7,502,859
Occupancy	717,437	2,168,066	2,991,300	3,464,267	2,412,053	2,287,363	2,344,547	2,403,161	2,463,240
Lease Expense (Hybrid, Legacy, Esperanza)	1,828,484	1,802,873	2,774,320	2,830,777					
EFF Refi (Hybrid, Esperanza, Legacy)					1,532,552	1,532,552	1,532,552	1,532,552	1,532,552
Legacy Bonds					930,757	930,757	930,757	930,757	930,757
Ground Lease (Esperanza)					384,192	391,876	399,713	407,708	415,862
Lease Expense (Brio)	960,671	1,147,006	1,191,950	1,263,663	1,119,328				
Ground Lease (Brio)						692,157	702,645	758,856	774,033
CSGF Debt Service (Brio)						923,676			
EFF Refinance (Brio)							783,918	783,918	783,918
CMO Management Fee	3,667,576	4,431,559	4,952,978	5,605,564	5,373,070	5,525,789	5,654,354	5,786,133	5,921,207
Depreciation	160,969	168,521	188,905	266,649	242,000	242,000	242,000	242,000	242,000

<b>Total Expenses</b>	<b>21,764,509</b>	<b>30,413,240</b>	<b>33,306,842</b>	<b>37,868,238</b>	<b>34,755,705</b>	<b>35,742,429</b>	<b>36,361,296</b>	<b>36,745,846</b>	<b>37,471,940</b>
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<b>Excess of Revenue Over Expense</b>	<b>5,646,906</b>	<b>3,111,191</b>	<b>2,369,641</b>	<b>1,754,419</b>	<b>1,901,355</b>	<b>2,001,006</b>	<b>2,207,434</b>	<b>2,327,323</b>	<b>2,108,893</b>
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Add Back: Depreciation & Amortization	160,969	168,521	188,905	266,649	242,000	242,000	242,000	242,000	242,000
Annual Lease Expense	2,789,155	2,949,879	3,966,270	4,094,440	3,966,829	4,471,018	4,349,585	4,413,791	4,437,122
Annual Interest Expense									

<b>Cash Available for Debt Service</b>	<b>8,597,030</b>	<b>6,229,591</b>	<b>6,524,816</b>	<b>6,115,508</b>	<b>6,110,184</b>	<b>6,714,023</b>	<b>6,799,019</b>	<b>6,983,114</b>	<b>6,788,015</b>
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Principal Payments									
Lease-Adjusted ADS	2,789,155	2,949,879	3,966,270	4,094,440	3,966,829	4,471,018	4,349,585	4,413,791	4,437,122
Lease-Adjusted MADS	4,471,018	4,471,018	4,471,018	4,471,018	4,471,018	4,471,018	4,437,122	4,437,122	4,437,122

**OPERATING RATIOS**

Lease-Adjusted ADS Coverage	3.08	2.11	1.65	1.49	1.54	1.50	1.56	1.58	1.53
Lease-Adjusted MADS Coverage	1.92	1.39	1.46	1.37	1.37	1.50	1.53	1.57	1.53

**STATEMENT OF FINANCIAL POSITION**

Unrestricted Cash & Investments	5,835,211	14,157,887	21,501,783	19,438,176	19,245,158	20,883,810	22,848,013	25,049,242	27,064,672
Days Cash on Hand	98.6	170.9	237.0	188.7	203.5	214.7	230.9	250.5	265.3



**APPENDIX B:  
SCHOOL GOVERNANCE**

***Officers***

Chief Executive Officer/Co-Founder	Oliver Sicat
Chief Operating Officer	Katie Hart
Chief Financial Officer	Kyle Goss
Chief of Staff	Kara Maguire
Chief of Schools	Olumide (Mac) Macaulay
Senior Director of Principal Leadership	Rosa Alanis
Senior Director of Family Engagement & Strategy	Jenny Aguas

***Board of Directors***

Board Chair	Kate Hirsh
Vice Chair	Michael Porter
Board Member	Kyle Salyer
Board Member	Pauline Fischer
Board Member	Elliot Sainer
Board Member	Tammy Anderson
Board Member	Robin Romans
Board Member	Ana Martinez Shropshire
Board Member	Ailen Salazar Bravo
Board Member	Ruth Castillo