

\$38,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
EDUCATIONAL FACILITY TAXABLE LOAN - SERIES 2024
(KIPP SOCAL PUBLIC SCHOOLS)
ITEM #5 - RESOLUTION 24-51
STAFF SUMMARY

EXECUTIVE SUMMARY

Applicant/Borrower:	KLARE Holdings	Par Amount Requested:	Not-to-Exceed * \$38,000,000
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Financing Term: Up to 40 years	Interest Rate: Not to exceed 5.25%
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Applicant Description: KIPP SoCal Public Schools and KLARE Holdings are both California non-profit public benefit corporations.

Type of Financing: Educational Facility Fund Taxable Loan

Project User:	KIPP SoCal Public Schools	County Served:	Los Angeles County
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District in Which Project is Located:	Los Angeles Unified School District	Charter Authorizer:	Los Angeles Unified School District
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Project Description: The financing will: 1) Refinance a leverage loan associated with a New Markets Tax Credit (NMTC) unwind for KIPP Endeavor College Preparatory School (KEP) and 2) Refinance a 2014 CSFA bond issuance that financed projects for KIPP Sol Academy (KSA), KIPP Illuminar Academy (KIA), KIPP Empower Academy (KEA) and KIPP Los Angeles College Preparatory (KLAP).

Project Sites: The financing will refinance the following school facilities: 1) KEP – 1263 S. Soto St., Los Angeles, 90023; 2) KSA – 4800 E. Caesar Chavez Ave., Los Angeles, 90022; 3) KIA – 4800 E. Caesar Chavez Ave., Los Angeles, 90022; 4) KEA – 8466 S. Figueroa St., Los Angeles, 90003; 5) KLAP – 2810 Whittier Blvd., Los Angeles, 90023.

Financing Team:		Financing Details:	
Financial Advisor	Buck Financial	Type of Issue:	Educational Facility Taxable Loan (Private Placement)
Lender:	Equitable Facilities Fund, Inc.	Tax Status:	Taxable
Lender’s Counsel:	Orrick, Herrington & Sutcliffe LLP	Maturity:	Up to 40 years
Borrower’s Counsel	Musick, Peeler & Garrett LLP	Credit Enhancement:	No
Issuer’s Counsel:	Attorney General’s Office	Credit Rating:	BBB
Issuer:	California School Finance Authority	Fees:	See Costs of Issuance Table
Master Trustee:	Zions Bancorporation, National Association		

CSFA Analyst: Robby Biegler

Date of CSFA Board Meeting: October 29, 2024	Resolution Number: 24-51
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Staff Recommendation: Staff recommends the California School Finance Authority Board approve Resolution Number 24-51 authorizing a loan in an amount not to exceed \$38,000,000, 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 for use by KIPP SoCal Public Schools.

BACKGROUND AND HISTORY

Borrower: KLARE Holdings (Borrower) is a California nonprofit public benefit corporation formed for the specific purpose of holding real property for the benefit of KIPP SoCal Public Schools (KSCPS).

School Information: KSCPS is the Southern California-specific network of the broader KIPP network of schools that operate in 21 states. There are two KIPP networks in California, KIPP NorCal Public Schools and KSCPS. While both networks are part of the broader national organization, they are otherwise unaffiliated. As of 2023-24, KSCPS operates 20 schools that serve 10,162 elementary and middle students in Los Angeles and San Diego Counties. Approximately 90% of KSCPS students qualify for Free and Reduced Priced Meals (FRPM), approximately 24% are English Language Learners, and approximately 16% receive Special Education services. Enrollment for the KSCPS schools in the CSFA obligated group (referenced subsequently) include:

Enrollment						
	Name	FY2024	FY2025	FY2026	FY2027	FY2028
KLAP	KIPP Los Angeles College Prep	515	510	500	500	500
KAO	KIPP Academy of Opportunity	467	470	485	485	485
KRA	KIPP Raíces Academy	588	629	619	619	619
KEA	KIPP Empower Academy	605	584	580	580	580
KCCP	KIPP Comienza Community Prep	1,058	1,065	1,065	1,065	1,065
KPA	KIPP Philosophers Academy	358	390	425	460	475
KSA	KIPP Scholar Academy	309	400	450	475	475
KSoI	KIPP Sol Academy	489	485	485	485	485
KIA	KIPP Iluminar Academy	602	584	580	580	580
KAI	KIPP Academy of Innovation	492	485	485	485	485
KVP	KIPP Vida Preparatory Academy	566	560	558	558	558
KPP	KIPP Promesa Prep	437	445	470	470	470
KIg	KIPP Ignite Academy	445	498	510	570	570
KCA	KIPP Corazón Academy	1,075	1,076	1,070	1,070	1,070
KCOM	KIPP Compton Community School	665	774	921	1,032	1,050
KECP	KIPP Endeavor College Prep	509	541	576	576	576
Obligated Group Enrollment		9,180	9,496	9,779	10,010	10,043
KPU-L	SKIPP Pueblo Unido	291	-	-	-	-
KAPA	KIPP Adelante Preparatory Academy	323	300	360	375	390
KPod-	LKSIPP Poder Public School	204	-	-	-	-
KGA-U	KSIPP Generations Academy	164	-	-	-	-
Total KIPP Social Enrollment		10,162	9,796	10,139	10,385	10,433

There are five KSCPS schools included in this financing. The four schools from the 2014 issuance are KIPP Los Angeles College Preparatory (KLAP); KIPP Sol Academy (KSA); KIPP Iluminar Academy (KIA); and KIPP Empower Academy (KEA). Additionally KIPP Endeavor College Preparatory School (KEP) will be added with the refinancing of a New Market Tax Credit (NMTTC). Charter expirations for the financed schools include: KEA - 6/30/2027; KIA - 6/30/2026; KSA - 6/30/2025; KEA - 6/30/2028; and KLAP - 6/30/2026. The Borrower is currently a member of 27 limited liability subsidiary companies, 16 of which are part of the current obligated group under the existing Master Trust Indenture (MTI). As referenced above KEP will be added to the obligated group with this refinancing. Historical obligated group schools include:

KSCPS Financing Obligations

School Full Name	Abbreviation	Bonds
1. KIPP Los Angeles Prep	KLAP	Series 2014, 2024 Loan
2. KIPP Sol Academy	KSA	Series 2014, 2024 Loan
3. KIPP Iluminar Academy	KIA	Series 2014, 2024 Loan
4. KIPP Empower Academy	KEA	Series 2014, 2024 Loan
5. KIPP Scholar Academy	KSCA	Series 2015
6. KIPP Academy of Opportunity	KAO	Series 2015
7. KIPP Raices Academy	KRA	Series 2015 & 2019
8. KIPP Vida Academy	KVA	Series 2015 & 2019
9. KIPP Academy of Innovation	KAI	Series 2017 & 2019
10. KIPP Comienza Community Prep	KCCP	Series 2017 & 2019
11. KIPP Corazon Academy	KCA	Series 2017 & 2019
12. KIPP Philosophers Academy	KPA	Series 2019
13. KIPP Compton Community School	KCCS	Series 2019
14. KIPP Promesa Prep	KPP	Series 2020
15. KIPP Pueblo Unido (Since Closed)	KPU	Series 2020
16. KIPP Ignite Academy	KI	Series 2020 (Amended)
17. KIPP Endeavor Prep	KEP	2024 Loan

KSCPS issuance history includes:

School / Borrower	Issuance (Closing) Date	Amount Issued	Final Maturity Date
KIPP Los Angeles Schools (Bonds)	6/25/2014	\$28,725,000.00	7/1/2044
KIPP Los Angeles Schools - 2015 (Bonds)	9/17/2015	\$27,790,000.00	7/1/2045
KIPP Los Angeles Schools - 2017	8/16/2017	\$40,750,000.00	7/1/2047
KIPP SoCal - 2019	6/20/2019	\$47,715,000.00	7/1/2054
KIPP LA - 2020	12/29/2020	\$33,410,000.00	7/1/2055
Total		\$178,390,000.00	

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

The proceeds of the loan will be used to: (1) finance and/or refinance the acquisition, construction, expansion, remodeling, improvement, installation, furnishing and/or equipping of certain charter school educational facilities for KSCPS known as (i) KEP, located at 1263 South Soto Street, Los Angeles,

California 90023; (ii) KSA, located at 4800 E. Cesar Chavez Avenue, Los Angeles, California 90022; (iii) KIA, located at 4800 E. Cesar Chavez Avenue, Los Angeles, California 90022; (iv) KEA, located at 8466 S. Figueroa Street, Los Angeles, California 90003; and (v) KLAP, located at 2810 Whittier Boulevard, Los Angeles, California 90023; and (2) pay certain expenses necessary or incident to such loan.

Refinance of NMTC unwind for KEP: KEP has an NMTC loan that matures on December 20, 2024. Refinancing of the \$11,712,409 senior leveraged loan must be completed by this date, at which time the NMTC will be unwound. The loan was awarded in 2017 to acquire and develop the KEP campus in East Los Angeles.

Refinancing of 2014 CSFA Bonds: In 2014 CSFA issued \$27,190,000 in bonds (2014 CSFA Bonds) for KSCPS for four of their campuses, KLAP, KSA, KIA and KEA. Those proceeds were used to refinance an existing NMTC and a Bank of America bank loan as well as for facility and note acquisition, construction and improvement. That issuance is now a decade old and eligible for refinancing. Approximately \$23,495,000 of the 2014 CSFA Bonds are currently outstanding. Upon the refunding of the 2014 CSFA Bonds, a corresponding \$516,000 credit enhancement award will return to CSFA.

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

#	Site	Landlord	Location	Purpose	Amount
1	KIPP Endeavor	1241-1263 South Soto, LLC	1263 S. Soto St., Los Angeles, 90023	Refinancing NMTC	\$11,712,409.00
2	KSA, KIA, KLA, KLAP	ChaMed, LLC; Sola School 1, LLC; and KLA 2810 Whittier LLC	4800 E. Caesar Chavez Ave., Los Angeles, 90022; 4800 E. Caesar Chavez Ave., Los Angeles, 90022; 8466 S. Figueroa St., Los Angeles, 90003; and 2810 Whittier Blvd., Los Angeles, 90023	Refinancing 2014 CSFA Bonds	\$23,495,000.00
Total Estimated Project Costs					\$35,207,409.00

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 KSCPS 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 KSCPS 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 the Borrower. As with the previous loans through EFF, the intercept will lower the costs for KSCPS vs. a conventionally-structured loan. The loan will be executed and delivered pursuant to a loan agreement among CSFA, EFF, and the Borrower.

Security and Source of Payment: The loan will be secured by an 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 1241-1263 South Soto, LLC; ChaMed, LLC; Sola School 1, LLC; and KLA 2810 Whittier LLC will be subject to intercept. All payments subject to the Intercept shall only be transferred to EFF or the Master Trustee to repay the loan issued by the California School Finance Authority or for payment of ground rent. The loan will be evidenced by a Promissory Note, executed by the Borrower in favor of Charter School Finance Authority.

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

Sources:	2024 Loan (Taxable)
Bond Proceeds	
Par Amount:	\$ 34,290,353.00
Equity Contribution:	\$1,387,056.00
Total:	\$ 35,677,409.00
Uses:	2024 Loan (Taxable)
Project Fund Deposit	
Project #1: NMTC Refinancing	\$ 11,712,409.00
Project #2: 2014 Refinancing	\$ 23,495,000.00
Delivery Dates Expenses	
Cost of Issuance	\$ 470,000.00
Total:	\$ 35,677,409.00

Total Costs of Issuance*

Expense	Budgeted Amount
Issuer Fee	\$27,500.00
Annual Admin Fee	\$1,500.00
Agent-for-Sale Fee	\$6,500.00
Issuer’s Counsel Fee	\$20,000.00
Financial Advisor Fee	\$90,000.00
EFF Counsel Fee	\$150,000.00
Trustee Fee	\$2,250.00
Title Insurance Fee	\$75,000.00
Contingency	\$48,750
NMTC Unwind Costs	\$48,500
Total COI	\$470,000.00

**Estimates based on principal amount of \$38,000,000.*

Relative to COI, EFF has already approved the current KSCPS expenses. Likely both the contingency and NMTC unwind costs will lessen as closing approaches.

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 demonstrating 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 24-51 authorizing the Educational Facility Taxable Loan in an amount not to exceed \$38,000,000 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:** KLARE Holdings for KIPP SoCal Public Schools

2. **Project:** Refinancing for five schools: KEA; KLAP; KEA; KSA; and KIA
3. **Amount of Financing:** Not-to-Exceed \$38,000,000
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:** \$470,000* 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 OBLIGATED GROUP FINANCIALS (PROJECTED)**

Balance Sheet	FY2024	FY2025	FY2026	FY2027	FY2028
ASSETS					
<i>Current Assets</i>					
Unrestricted Cash & Investments	57,626,156	55,491,900	54,527,263	56,058,806	57,632,043
Restricted Cash & Investments	-	-	-	-	-
Accounts Receivable	20,538,254	25,870,754	25,898,768	25,842,381	26,403,860
Other Current Assets	20,656	56,303	56,303	56,303	56,303
Notes Receivable - Current	-	-	-	-	-
Intercompany Receivable	-	-	-	-	-
Total Current Assets	78,185,066	81,418,957	80,482,334	81,957,489	84,092,205
<i>Long Term Assets</i>					
Other Long Term Assets	225,758,410	245,954,916	238,894,530	231,637,891	224,167,977
Notes Receivable - Long Term	-	-	-	-	-
Intercompany Notes Receivable	-	-	-	-	-
Land	-	-	-	-	-
Work in Process	847,865	939,266	939,266	939,266	939,266
Fixed Assets	8,284,262	10,378,472	10,378,472	10,378,472	10,378,472
Accumulated Depreciation	(6,456,905)	(7,417,826)	(8,113,535)	(8,756,768)	(9,248,249)
Total Long Term Assets	228,433,631	249,854,827	242,098,733	234,198,860	226,237,465
TOTAL ASSETS	306,618,697	331,273,784	322,581,066	316,156,349	310,329,670
LIABILITIES & NET ASSETS					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	36,851,627	27,834,673	24,158,869	23,597,736	23,132,445
Notes & Bonds Payables - Current	-	-	-	-	-
Intercompany Payable	3,173	1	1	1	1
Total Current Liabilities	36,854,800	27,834,674	24,158,870		
<i>Long Term Liabilities</i>					
Other Long Term Liabilities	216,016,482	247,132,303	241,195,923	235,018,630	228,487,491
Notes & Bonds Payables - Long Term	-	-	-	-	-
Intercompany Notes Payable	2,175,000	500,000	500,000	500,000	-
Total Long Term Liabilities	218,191,482	247,632,303	241,695,923	259,116,366	251,619,937
<i>Net Assets - Beginning of Year</i>	<i>51,437,003</i>	<i>56,224,787</i>	<i>55,806,807</i>	<i>56,726,273</i>	<i>57,039,983</i>
<i>Change in Net Assets - BS</i>	<i>135,412</i>	<i>(417,981)</i>	<i>919,467</i>	<i>313,710</i>	<i>1,669,751</i>
<i>Net Assets - End of Year</i>	<i>51,572,415</i>	<i>55,806,807</i>	<i>56,726,273</i>	<i>57,039,983</i>	<i>58,709,734</i>
TOTAL LIABILITIES & NET ASSETS	306,618,697	331,273,784	322,581,066	316,156,349	310,329,671
Earnings before Interest, Depreciation, Amortization	2,759,155	2,314,333	3,262,854	2,465,013	3,528,000
Add Back: Rent	18,299,986	17,609,693	17,763,961	16,808,496	16,831,915
Net Revenues Available	21,059,141	19,924,025	21,026,815	19,273,508	20,359,915
Rent	18,299,986	17,609,693	17,763,961	16,808,496	16,831,915
Coverage After Subordinated Management Fee	1.2	1.13	1.18	1.15	1.21
Coverager Before Subordinated Management Fee	2.6	2.6	2.7	2.8	2.9

**APPENDIX B:
SCHOOL GOVERNANCE**

Officers

Chief Executive Officer	Angella Martinez
Chief Operating Officer	Jenn Miranda
Chief Financial Officer	Kyle Salyer
Chief of Staff	Belen Sanchez
Chief of Schools	Amber Young Medina
Chief Talent & Equity Officer	Michelle Rojas-Soto
Chief Academics Officer	Kevika Amar

Board of Directors

Board Chair	Luis Rodriguez
Vice Chair	Heather Lord
Board Secretary	Randy Bishop
Board Member	Naeem Arastu
Board Member	Jon Berg
Board Member	Carlos Bermudez
Board Member	Mel Carlisle
Board Member	Phil Feder
Board Member	Julie Miller