



PUBLIC CHARTER SCHOOL CREDIT ENHANCEMENT COMMITTEE

Please find below the notes from the Public Charter School Credit Enhancement Committee (“Committee”) Meeting held on Thursday **September 15, 2022**.

PUBLIC MEETING NOTES:

Call To Order:

1. By Michael Musante at 12:00 p.m.
2. Michael Musante reminded the Committee members of the conflict of interest policy and asked if everyone had completed the form and if there were any recusals.
3. There were no recusals.

Committee Members Present: (appearing via GoToMeeting):

1. Michael Musante
2. Mark Medema
3. Stefan Huh

*Sara Batterton was not present

*Yair Inspektor was not present

Note: Quorum was present.

Staff Members Present: (appearing via GoToMeeting):

1. Darryl Brantley, Financial Program Specialist, Office of Public Charter School Financing and Support (OPCSFS)
2. Brianna Griffin, Manager, OPCSFS
3. Nagesh V. Tammara, Senior Assistant General Counsel, Office of the General Counsel

Guests (Public Meeting Attendees all via GoToMeeting):

1. Molly Melloh, Consultant, EdOps
2. Carlie Fisherow, Executive Director, Washington Yu Ying PCS
3. Melissa Volpe, COO, Washington Yu Ying PCS
4. Alex Shawe, Consultant, Level Field Partners
5. Kristen Scotchmer, Executive Director, Mundo Verde PCS
6. John Breyer, Independent Consultant

Approval to Move into Executive Session:

1. Michael Musante requested a motion to go into the Executive Session.
 - a. Pursuant to 2-575 (b)(4)(A), and (b)(11) the Committee will enter into executive session to consult with its attorney to obtain legal advice and to review and discuss sensitive and confidential financial information before returning to the public session for the remainder of the meeting agenda.
2. Michael Musante made a motion to go into Executive Session.
3. Mark Medema seconded the motion.
4. All said aye.

[THIS SPACE INTENTIONALLY LEFT BLANK]

EXECUTIVE SESSION NOTES

Above-noted OPCSFS/OSSE Staff were in attendance via GoToMeeting.

A. WASHINGTON YU YING PCS – REQUEST FOR A NEW DIRECT LOAN IN THE AMOUNT OF \$2 MILLION AND CREDIT ENHANCEMENT IN THE AMOUNT OF \$1 MILLION.

1. Darryl Brantley introduced the request as follows:

- a. Washington Yu Ying PCS has requested a new direct loan in the amount \$2 million and a credit enhancement in the amount of \$1 million.
- b. The purpose of the new OPCSFS Direct Loan is to support the acquisition of a lot/parcel located at 4301 Harewood Road NE, Washington, DC 20017. The lot will be subdivided at a later date.
- c. The school will be cohabitating with Washington Latin PCS at the subject property. Washington Latin PCS is scheduled to go to closing on the acquisition loan today (9/15/2022).
- d. Washington Yu Ying PCS has been a historically strong Tier-1 school that has one of the longest wait-list in the city for enrollment.
- e. The loan will be for a five-year term and be priced at 1.0 percent per annum and have eight quarterly interest-only payments following by three (3) years of principal and interest. There will be a 1 percent origination fee of \$20,000. There would be a 25- year amortization period.
- f. The direct loan will be collateralized by either a 2nd position lien deed of trust on the school property located on 220 Taylor Street or an assignment of the escrow account or a 2nd position on the soon to be subdivided lot located at 4301 Harewood Road NE, Washington, DC 20017. Still to be determined.
- g. The direct loan will be repaid with cashflow from operations of the school.
- h. The school is in the due diligence process with Washington Latin PCS on how the schools will share the space through a shared spaced use agreement. The property will be divided int 3 separate lots. Washington Latin PCS will have 1 lot and Washington Yu Ying will have 1 lot and the schools will share the 3rd lot which houses the original building structure.
- i. The risks identified include the enrollment risks and the normal construction risks that go along with a transaction of this size and nature.
- j. The strengths include the strong school leadership and board of directors along with the track record of the school being a tier-1 school and having a robust wait list.

2. Discussion:

- a. Stefan Huh asked why would OSSE take a 2nd lien on the Taylor Street property if the school is going to utilize our funds to acquire the property instead of a 1st position lien.
- b. Darryl Brantley indicated that we can't take a 1st lien because the property has not been subdivided yet and it will take approximately 4-6 months for the subdivision to occur.
- c. Darryl Brantley mentioned that legally the school will not own their portion of the property until the subdivision occurs and that the OSSE funds are going to be placed into an escrow account until such time.
- d. Darryl Brantley mentioned that Truist Bank is financing the entire transaction with Washington Latin PCS.
- e. Nagesh Tammara mentioned that it is a \$22 million acquisition for the subject property and that OSSE has \$3 million into the transaction. A \$2 million Direct Loan and A \$1 million Credit

Enhancement as it relates to the transaction involving Washington Latin PCS. Additionally, Washington Yu Ying has signed a letter of intent to purchase a lot/parcel once subdivision occurs. Until the lots are subdivided the total purchase amount of approximately \$6 million will be placed into an escrow account which includes the OSSE \$2 million.

- f. Stefan Huh mentioned that at no time should we have less than a 1st position lien on our \$2 million in escrow.

B. MUNDO VERDE PCS – REQUEST FOR A NEW DIRECT LOAN IN THE AMOUNT OF \$2 MILLION AND CREDIT ENHANCEMENT IN THE AMOUNT OF \$1 MILLION.

1. Darryl Brantley introduced the request as follows:

- a. Mundo Verde PCS has requested a new direct loan in the amount \$2 million and credit enhancement in the amount of \$1 million.
- b. The purpose of the new OPCSFS Direct Loan is for a larger project and is three-fold. First, the school wants to refinance existing debt on the property located at the 44 P Street NW, Washington DC location, which will close out an existing United Bank and the OSSE loan. Second, the school will also be exercising their option to purchase their 2nd location located at 4401 8th Street NE, Washington, DC. Finally, the school will be acquiring a new property located at 871 Varnum Street NE, Washington, DC to expand their program.
- c. The total project costs are approximately \$55 million and the school has received a commitment letter from Eagle Bank for the financing.
- d. The loan will be for a five-year term and be priced at 1.0 percent per annum and have eight quarterly interest-only payments, following by three (3) years of principal and interest, amortized over a 25 year period. There will be a 1 percent origination fee of \$20,000.
- e. The direct loan will be collateralized by either a 2nd position lien deed of trust (DOT) on the 44 P Street property as well as a 2nd priority DOT on the 4401 8th Street and the 871 Varnum Street properties behind Eagle Bank as the senior lender in the transaction.
- f. The direct loan will be repaid with cashflow from operations of the school.
- g. The risks identified include the enrollment risks and the normal construction risks that go along with a transaction of this size and nature. There is also the appraisal risk due to each property being appraised for an “As Completed” value. Those appraisals have been commissioned by Eagle Bank.
- h. The strengths include the strong school leadership and board of directors along with the track record of the school being a tier-1 school and having a robust wait list.
- i. Historically, the school has been able to generate the cash flow needed to cover its debt service.

2. Discussion:

- a. Stefan Huh asked was Charter Schools Development Corporation the seller.
- b. Mark Medema asked whether OSSE was going to be paid out from the refinance and whether we were refinancing ourselves.
- c. Darryl Brantley mentioned that current direct loan to Mundo Verde will be paid off from 2014 and this new loan will be the only loan that OSSE will have.
- d. Mark Medema asked what the policy was in terms of exposure for Direct Loans and Credit Enhancement.

- e. Michael Musante mentioned that the policy is no more than \$2 million dollars in direct loan exposure to one campus not per school. There is also a \$1 million limit for credit enhancements per school.
- f. Mark Medema inquired that since there are 3 campuses in this transaction, could we have loaned the school \$6 million.
- g. Darryl Brantley indicated that in theory we could have loaned the school \$6 million however the school did not make that request. He also mentioned that it would be more of a risk to the OSSE loan portfolio by lending the school \$6 million.
- h. Michael Musante determined that it would not be in the best interest of OSSE to extend multiple \$2 million loans to some of the larger charter school networks and the message that it would send to banks.
- i. Darryl Brantley mentioned that Lee Montessori PCS was scheduled to be presented this month but had a financing gap of approximately \$5 million. The school is looking to find financing sources to fill that gap and hope to be able to come to committee next month.
- j. Mark Medema inquired about what the financing from Eagle Bank consisted of.
- k. Darryl Brantley mentioned that it was a 30 -year bond transaction.
- l. Mark Medema asked do we know where it is going to price at yet.
- m. Darryl Brantley indicated that we did not know yet and it is SWAPS transaction.
- n. Stefan Huh pointed out that the school is not putting any of their money into the transaction. It is just OSSE and Eagle Bank.
- o. Darryl Brantley mentioned that school has already put money into the transaction earlier in 2014.
- p. Nagesh Tammara mentioned that it is a bond transaction, but they are not breaking up the bond.

[THIS SPACE INTENTIONALLY LEFT BLANK]

The Public Meeting was reopened and called back to order at 12:32 p.m.

Approval of September 15, 2022 Committee Meeting Agenda:

1. Michael Musante requested a motion to approve the meeting agenda.
2. Mark Medema made a motion to approve the meeting agenda.
3. Stefan Huh seconded the motion to approve the meeting agenda.
4. All said Aye.
5. Agenda approved by unanimous vote.

Approval of August 18, 2022 Committee Meeting Minutes

1. Michael Musante inquired as to whether there were any changes to the public meeting minutes from August 18, 2022, and hearing none, requested a motion to approve said meeting minutes.
2. Mark Medema made a motion to approve the August 18, 2022 meeting minutes.
3. Stefan Huh seconded the motion.
4. All said Aye.
5. The August 18, 2022 meeting minutes were approved by unanimous vote.

[THIS SPACE INTENTIONALLY LEFT BLANK]

Transactions Disclosure Checklist (Conflict of Interest Policy)

*As set forth in Attachment C (Transaction Disclosure Checklist) of the Office of Public Charter School Financing and Support - Conflict of Interest Policy (Policy), Michael Musante, Chair inquired of the Committee membership the following as it relates to the transactions presented (i.e., **Washington Yu Ying Public Charter School and Mundo Verde Public Charter School**) to the Committee for approval:*

Do you or a person closely affiliated (as defined by the Policy) to you have any of the following relationships with any of the financially interested entities involved in this transaction? The respective questions and responses are captured in the table below with the noted exceptions.

N = No Y = Yes	Financially Interested Entities (FIEs)			
	The public charter school(s) seeking financing from the Committee		Any other financially interested entity involved in the transaction	
	Current	Prior (past 5 years)	Current	Prior (past 5 years)
Serve as a board member, officer, or employee?	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh - N	Medema – N Musante – N Huh - N	Medema – N Musante – N Huh - N
Receive compensation for serving as a board member?	Medema – N Musante – N Huh - N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh - N	Medema – N Musante – N Huh -N
Receive compensation for a position (officer or employee)?	Medema – N Musante – N Huh N	Medema – N Musante – N Huh - N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N
Any contractual relationship (individual or through an employment or subcontractual relationship)?	Medema – N Musante – N Huh - N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N
Perform consulting or other services?	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N
Own shares of stock, stock options, partnership interest, or other ownership interest?	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N
Employed by an organization on whose board of directors an	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N

individual involved in the transaction sits?				
Registered as a lobbyist on behalf of the interests?	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N
	Financially Interested Entities (FIEs)			
	The public charter school(s) seeking financing from the Committee		Any other financially interested entity involved in the transaction	
	Current	Prior (past 5 years)	Current	Prior (past 5 years)
Parent of a child attending?	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N
Volunteer(ed) at or with?	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N
Any other information to disclose?	Medema – N Musante – N Huh - N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N	Medema – N Musante – N Huh -N

[THIS SPACE INTENTIONALLY LEFT BLANK]

A. WASHINGTON YU YING PCS' REQUEST TO OBTAIN A NEW DIRECT LOAN IN THE AMOUNT OF \$2 MILLION AND CREDIT ENHANCEMENT IN THE AMOUNT OF \$1 MILLION.

1. Darryl Brantley introduced the request as follows:

- a. Washington Latin PCS has requested a new direct loan in the amount of \$2 million and Credit Enhancement in the amount of \$1 million. The purpose of the new direct loan is to acquire a lot/parcel located at 4301 Harewood Road NE Washington DC 20017 in Ward 5.
- b. This acquisition will allow the school to replicate its program and ultimately increase enrollment.
- c. The direct loan would be for a five-year term carrying an interest rate of one percent (1.00%) per annum and have 8 quarterly interest-only payments followed by 12 quarters of principal and interest payments. There will be a 1 percent origination fee of \$20,000.
- d. The school is currently in its due diligence period regarding the use agreement and coexistence with Washington Latin PCS.
- e. The direct loan would be repaid out of the school's cashflow from operations and secured by either a second position lien deed of trust on the original school property located at 220 Taylor Street NE, Washington DC 20017 in Ward 5, the escrow account that will house the \$6 million to be used for the acquisition of the lot or a 2nd position lien on the lot/parcel to be acquired behind after subdivision.
- f. Washington Yu Ying PCS has been a historically strong Tier-1 school with one of the largest wait lists in the city.
- g. The primary risks identified is the economic risks regarding COVID-19 and enrollment along with the general construction risks associated with a project of this size and nature.
- h. There is also the risk of the lots not being subdivided in an acceptable manner.
- i. The strengths identified include experienced school leadership team and a strong board of directors along with its successful track record of operating a tier-1 school in the city.
- j. The risk is also somewhat mitigated by the school's historically robust wait list.

2. Discussion

- a. Stefan Huh asked for clarification that the \$2 million OSSE funds would be placed into an escrow account until the subdivision occurs.
- b. Molly Melloh indicated that Washington Yu Ying has already contributed the required money needed into an escrow account. The OSSE money will serve as a reimbursement to the school for \$2 million of that contribution.
- c. Stefan Huh asked what is the expected timing for the settlement of the OSSE loan.
- d. Molly Melloh indicated that it depended on how long the due diligence process takes.
- e. Nagesh Tammara also indicated that it depended on how long the due diligence process takes but would do what is necessary to ensure that the loan closes in a timely fashion.

3. Transaction APPROVAL

- a. Michael Musante asked for a motion to approve the request of a new direct loan in the amount of \$2 million and new credit enhancement in the amount of \$1 million for Washington Yu Ying PCS.
- b. Mark Medema made a motion to approve the transaction.
- c. Stefan Huh seconded the motion.
- d. All said Aye.
- e. The motion carried and the transaction was unanimously approved.

B. MUNDO VERDE PCS – REQUEST FOR A NEW DIRECT LOAN IN THE AMOUNT OF \$2 MILLION AND CREDIT ENHANCEMENT IN THE AMOUNT OF \$1 MILLION.

1. Darryl Brantley introduced the request as follows:

- a. Mundo Verde PCS has requested a new direct loan in the amount \$2 million and credit enhancement in the amount of \$1 million.
- b. The purpose of the new OPCSFS Direct Loan is for a larger project and is three-fold, first the school wants to refinance existing debt on the property located at 44 P Street NW, Washington DC property, which will pay out United Bank and the existing OSSE loan. The school will also be exercising their option to purchase their 2nd location located at 4401 8th Street NE Washington, DC and finally, the school will be acquiring a new property located at 871 Varnum Street, NE Washington, DC to expand their program.
- c. The total project costs are approximately \$55 million and the school has received a commitment letter from Eagle Bank for the financing.
- d. The loan will be for a five-year term and be priced at 1.0 percent per annum and have eight quarterly interest-only payments. There will be a 1 percent origination fee of \$20,000. There would be a 25- year amortization.
- e. The direct loan will be collateralized by either a 2nd position lien deed of trust on the 44 P Street property as well as a 2nd DOT on the 4401 8th Street and the 871 Varnum Street properties behind Eagle Bank as the senior lender in the transaction.
- f. The direct loan will be repaid with cashflow from operations of the school.
- g. The risks identified include the enrollment risks and the normal construction risks that go along with a transaction of this size and nature. There is also the appraisal risk due to each property being appraised for an “As Completed” value. Those appraisals have been commissioned by Eagle Bank.
- h. The strengths include the strong school leadership and board of directors along with the track record of the school being a tier-1 school and having a robust wait list.
- i. Historically, the school has been able to generate the cash flow needed to cover its debt service.

2. Discussion:

- q. No discussion.

3. Transaction APPROVAL

- a. Michael Musante asked for a motion to approve the request of a new direct loan in the amount of \$2 million and new credit enhancement in the amount of \$1 million for Mundo Verde PCS.
- b. Mark Medema made a motion to approve the transaction.
- c. Stefan Huh seconded the motion.
- d. All said Aye.
- e. The motion carried and the transaction was unanimously approved.

C. Other Business

- a. Darryl Brantley wanted to put on the record that subsequent to the Committee's approval of a \$2 million direct loan to Washington Latin PCS, Truist Bank, the senior lender in the transaction, requested that OSSE be in alignment with their DSCR of 1.10 to 1:00x as opposed to 1.15 to 1:00x.
- b. In addition, OSSE agreed to align the definition of debt service coverage ratio.

D. Adjournment:

- a. Michael Musante asked for a motion to adjourn the meeting
- b. Mark Medema made a motion to adjourn the meeting.
- c. Stefan Huh seconded the motion.
- d. All said Aye.
- e. The meeting adjourned at 1 p.m.