*****Massachusetts Department of***

***Elementary and Secondary Education***

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| Jeffrey C. Riley  *Commissioner* |  |
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# MEMORANDUM

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| **To:** | Members of the Board of Elementary and Secondary Education |
| **From:** | Jeffrey C. Riley, Commissioner |
| **Date:** | March 15, 2019 |
| **Subject:** | Charter Schools – Approval of Loans beyond Charter Duration (Conservatory Lab Charter School, Hampden Charter School of Science West, KIPP Academy Lynn Charter School, River Valley Charter School) |

Under the charter school statute, G.L. c. 71, § 89(k)(6), a charter school may incur temporary debt in anticipation of receipt of funds. The charter school must receive approval of the Board of Elementary and Secondary Education (Board) if it wishes to agree to a term of repayment that exceeds the duration of the school’s charter. At its meeting on October 21, 2008, the Board voted to delegate to the Commissioner the authority to approve such loan requests. I am informing the Board of four such approvals within the past twelve months. This memorandum organizes the approvals chronologically.

In a letter dated April 27, 2018, the board of trustees of KIPP Academy Lynn Charter School(KIPP)requested approval to enter into a loan agreement, as guarantor, for $25,450,000. The KIPP Lynn Fund acquired the loan funded by revenue bonds issued by the Massachusetts Development Finance Authority (MDFA) and sold to Citizens Bank with a 10-year term. The loan provided the funds for the purchase and renovation of a building located at 20 Wheeler Street in Lynn and will provide a permanent home for KIPP’s high school program.

In a letter dated August 7, 2018, the board of trustees of River Valley Charter School(River Valley) requested approval to enter into a loan agreement, as guarantor, for $3,500,000. The Massachusetts Development Finance Authority issued a tax-exempt revenue bond to the school that was purchased by East Boston Savings. The proceeds of the bond were loaned to the River Valley Charter School Foundation with a 15-year term. This refinancing arrangement allowed River Valley to continue the successful management of its operating costs.

In a letter dated January 4, 2019, the board of trustees of Hampden Charter School of Science West (Hampden West)requested approval to enter into a loan agreement for $4,350,000 for the purchase of property located at 511 Main Street in West Springfield. The Massachusetts Development Finance Authority issued a tax-exempt revenue bond to the school that was purchased by Westfield Bank with a term of 10 years. The Massachusetts Development Finance Authority also guaranteed a minimum of 25 percent of the loan or $1,087,500. The loan is being used to acquire and renovate the building to provide a permanent home for Hampden West.

In a letter dated January 15, 2019, the board of trustees of Conservatory Lab Charter School(Con Lab)requested approval to enter into a loan agreement, as guarantor, for $22,300,000. The Conservatory Lab Charter School Foundation (Foundation) will acquire the loan funded by tax-exempt bonds issued by the MDFA and sold to Citizens Bank with a 10-year term. The Foundation will pass the proceeds of the bond loans to the Conservatory Lab Charter School Realty Corporation which will oversee the project and lease the buildings to Con Lab. The Massachusetts Development Finance Authority will guarantee $5,000,000 of the loan. Con Lab will also secure a $1,000,000 line of credit with Citizens Bank for general organizational purposes. The purpose of this loan is to refinance an existing building at 133 Hancock Street in Boston and to purchase and renovate a permanent home for the upper school at 395-405 Columbia Road in Boston.

This memorandum provides written confirmation of my approval, pursuant to G.L. c. 71,

§ 89(k)(6), of terms of repayment for the loans described above, which exceed the durations of these schools’ charters. The Department of Elementary and Secondary Education (Department) has reviewed these requests and they are reasonable and consistent with the charter school statute and regulations. These approvals in no way reflect either the accountability status or the potential outcome regarding charter renewal for these charter schools. Approval is explicitly conditioned upon the inclusion of the language that follows in all of the loan agreements.

*The parties to the loan(s) acknowledge and agree that the Commonwealth of Massachusetts, including but not limited to the Board and the Department of Elementary and Secondary Education, provides no representations or guarantees with respect to these loans and has no liability for any portion of the loans. Furthermore, specifically and without limitation, approval of the loan has no impact on any action that the Massachusetts Board of Elementary and Secondary Education may choose to take in the future with respect to probation, revocation, or renewal of the school's charter.*

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If you have any questions regarding these matters or require additional information, please contact Alison Bagg, Director of Charter School and School Redesign (781-338-3218); Cliff Chuang, Senior Associate Commissioner for Educational Options (781-338-3222); or me.