*****Massachusetts Department of***

***Elementary and Secondary Education***

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| Jeffrey C. Riley*Commissioner* |  |

# MEMORANDUM

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| **To:** | Members of the Board of Elementary and Secondary Education |
| **From:**  | Jeffrey C. Riley, Commissioner |
| **Date:**  | June19, 2020 |
| **Subject:** | Charter Schools – Approval of Loans beyond Charter Duration (Collegiate Charter School of Lowell, City on a Hill Circuit Street Charter School, Excel Academy Charter School, Hampden Charter School West, Springfield Prep Charter School, Baystate Academy 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 six such approvals within the past twelve months. This memorandum organizes the approvals chronologically.

In a letter dated May 1, 2019, the board of trustees of **Collegiate Charter School of Lowell** (CCSL)requested approval to enter into a loan agreement for $54,000,000 in four tax exempt bonds issued by CCSL, underwritten by BB&T Capital Markets, and purchased by the US Bank National Association. The financing will primarily be used to purchase the K-8 building currently occupied by CCSL and to purchase, renovate, furnish, and equip the high school building. The loan was structured with approximately four fixed-rate term bonds with maturities of approximately 10, 20, 30, and 35 years.

In a letter dated August 23, 2019, the board of trustees of **City on a Hill Circuit Street Charter School** (COAH) requested approval to enter into a loan agreement, as guarantor, for a $1,000,000 credit line. The loan was from Boston Private Bank with an 18-month term. The loan is being used for working capital and preconstruction costs associated with facility additions.

In a letter dated October 1, 2019, the board of trustees of **Excel Academy Charter School** (Excel)requested approval to enter into a loan agreement, as guarantor, for $12,200,000 from Boston Private Bank. The term of the loan is 15 years and the funds will be used for the construction of a new building at 375 Bremen Street for the Excel Orient Heights campus. The funds will also be used to repay existing debt from Local Initiatives Support Corporation of approximately $3.6 million. The Massachusetts Development Financing Authority (MDFA) will provide a credit guarantee of up to $2 million on this new debt as requested by Boston Private Bank.

In a letter dated October 30, 2019, the board of trustees of **Hampden Charter School of Science East** (Hampden East)requested approval to enter into a loan agreement for $7,100,000 for the purchase and renovation of property located at 20 Johnson Road in Chicopee. The MDFA issued a tax-exempt revenue bond to the school that was purchased by the Peoples Bank with a term of 10 years.

In a letter dated January 22, 2020, the board of trustees of **Springfield Prep Charter School** (Springfield Prep)requested approval to enter into a loan agreement, as guarantor, for $4,875,000. This loan has a 1-year term (which exceeds charter term that ends July 1, 2020). The loan is from Blue Hub Loan Fund in participation with Nonprofit Finance Fund, New York, NY. These borrowed funds will be used for the purchase and preconstruction costs of a new building at 2071 Roosevelt Avenue, Springfield for the school.

In a letter dated March 27, 2020, the board of trustees of **Baystate Academy Charter School** (Baystate)requested approval to enter into three loan agreements with Florence Bank which extends beyond the charter term. Baystate acted as guarantor for a $6,250,000 tax-exempt bond issued with a term of 25 years. These borrowed funds will be used to fund the purchase of the building Baystate currently occupies at 2001 Roosevelt Avenue, Springfield. The second and third loans will be in the school’s name. The second loan will be for $500,000 to refinance the existing facility with a term of 5 years and the third loan for $215,000 will refinance a term loan with a term of 4 years.

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 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.

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