

City of Hesperia

STAFF REPORT



DATE: May 6, 2025

TO: Mayor and Council Members

FROM: Rachel Molina, City Manager

BY: Nathan R. Freeman, Director of Development Services

SUBJECT: Resolution to consider approving the issuance of Tax-Exempt Bonds for the benefit of La Verne Elementary Preparatory Academy, and/or Related Entity

RECOMMENDED ACTION

It is recommended that the City Council:

1. Conduct a public hearing regarding the proposed issuance of tax-exempt financing, in an amount not to exceed \$22,000,000, for the benefit of 9966 I Ave, LLC, a California limited liability company whose sole member is LaVerne Elementary Preparatory Academy Foundation, a California nonprofit public benefit corporation, and/or a related entity (the "Borrower"). The financing would be used to (a) finance and/or refinance the costs of acquiring, constructing, installing, improving, furnishing, and equipping charter school facilities located at 16955 Lemon Street, Hesperia, California 92345, in the amount of \$21,000,000, and 9966 I Avenue, Hesperia, California 92345, in the amount of \$1,000,000; (b) fund a debt service reserve and related working capital; (c) paying capitalized interest on the bonds; and (d) pay issuance and other related costs associated with the project; and
2. Adopt a resolution approving the issuance of tax-exempt bonds in an amount not to exceed \$22,000,000 by the California Public Finance Authority (CalPFA).

BACKGROUND

The City Council is being asked to adopt a resolution approving the issuance of tax-exempt bonds by the California Public Finance Authority (CalPFA) to finance, refinance and/or reimburse the Borrower for the costs of the acquisition, construction, installation, improvement, furnishing, and equipping of charter school facilities located at 16955 Lemon Street, Hesperia, California 92345 and 9966 I Avenue, Hesperia, California 92345. The financing would also fund a debt service reserve and cover costs of issuance and other related expenses. This approval is required to comply with Section 147(f) of the Internal Revenue Code of 1986, which mandates public approval for private activity bonds.

ISSUES/ANALYSIS

For CalPFA to issue tax-exempt bonds, the City must (1) conduct a public hearing to allow members of the public to comment on the proposed project, and (2) approve CalPFA's issuance of the bonds on behalf of the Borrower. Without the City Council's approval, CalPFA cannot issue the bonds or related obligations.

The City of Hesperia is an associate member of CalPFA. CalPFA's purpose is to issue tax-exempt and taxable conduit revenue bonds for qualifying public and private entities throughout California.

LaVerne Elementary Preparatory Academy Foundation is a nonprofit corporation that supports Ed. Brokers Education Services, a California nonprofit that operates LaVerne Elementary Preparatory Academy, a public charter school serving students in kindergarten through eighth grade. The Borrower is seeking tax-exempt bond financing, not to exceed \$22,000,000, to acquire, construct, install, improve, furnish, and equip charter school facilities located at 16955 Lemon Street, Hesperia, California 92345 (approximately \$21,000,000) and 9966 I Avenue, Hesperia, California 92345 (approximately \$1,000,000).

CalPFA will loan the bond proceeds to the Borrower to finance and/or refinance the cost of acquiring, constructing, installing, improving, furnishing, and equipping the charter school facilities located at 16955 Lemon Street and 9966 I Avenue. The funds will also be used to establish a debt service reserve, pay capitalized interest on the bonds, and to cover issuance costs and other related expenses. The bonds will be repaid solely from funds provided under the terms of a loan agreement between CalPFA and the Borrower. The City will not be a party to the loan agreement or any related documents. The bonds will not be backed by any form of taxation, nor by any obligation of the City or CalPFA. They do not represent a general obligation of either entity.

Adoption of the resolution approving the issuance of the bonds satisfies the requirements of Section 147(f) of the Internal Revenue Code of 1986 and Articles 1 through 4 (beginning with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code. The City assumes no responsibility for the tax-exempt status, repayment, or any other matter related to the bonds. Approval of this financing will allow the Borrower to finance and/or refinance educational facilities within the City for the benefit of LaVerne Elementary Preparatory Academy Foundation and/or a related entity.

About the California Public Finance Authority (CalPFA): CalPFA is a joint powers authority formed by the County of Kings and the Housing Authority of Kings County. Its purpose is to issue tax-exempt and taxable conduit revenue bonds on behalf of public and private entities across California.

Under the Joint Powers Act—specifically Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code (beginning with Section 6500)—and Section 145 of the Internal Revenue Code, conduit issuers like CalPFA are authorized to issue tax-exempt “private activity” bonds on behalf of 501(c)(3) nonprofit organizations to finance facilities they own. To qualify for tax-exempt status, these bonds, and the facilities they fund must be approved by both (1) the governmental entity issuing the bonds (CalPFA) and (2) the governmental entity where the project is located (the City of Hesperia).

Additionally, a public hearing must be held with reasonable advance notice, as required under Section 147(f) of the Internal Revenue Code. This process is commonly referred to as a TEFRA hearing, (Tax Equity and Fiscal Responsibility Act of 1982). Since the project site is located within Hesperia, the City has been asked to host the TEFRA hearing and approve the issuance of the bonds as the host jurisdiction. Proper notice of the public hearing was published at least seven days in advance, as confirmed by the Borrower’s bond counsel.

Other Agency Involvement/Impact: The Borrower, LaVerne Elementary Preparatory Academy Foundation, in coordination with the CalPFA, has requested the City Council's approval of this

tax-exempt financing to comply with Section 147(f) of the Internal Revenue Code of 1986.

CITY GOAL SUPPORTED BY THIS ITEM

Future Development - Facilitate balanced growth to ensure cohesive community development and pursue economic development.

FISCAL IMPACT

There is no direct or indirect financial impact to the City of Hesperia because of this proposed financing. The obligations are special, limited obligations of the California Public Finance Authority (CalPFA) and will be repaid solely through the Borrower's loan payments to CalPFA. These payments will be used to cover the principal and interest on the obligations. Neither the faith and credit nor the taxing power of the City, any member of CalPFA, the State of California, or any other political subdivision is pledged toward repayment of the obligations.

ALTERNATIVE(S)

Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution 2025-13