

# **STOCKTON UNIFIED SCHOOL DISTRICT**

## **Staff Report of Findings and Recommendation on Material Revision Request Submitted by KIPP Stockton K-12**

**Posted: May 24, 2025**

The following provides a summary of the Stockton Unified School District's ("District") staff report, proposed findings of fact, and recommendation concerning the material revision request ("Report") submitted by KIPP Stockton K-12.

### **Introduction and Background**

KIPP Stockton K-12 ("KIPP"), which operates as an independent, classroom-based charter school authorized by the District, began serving students at the beginning of the 2021-2022 school year. KIPP's current charter expires on June 30, 2027. As reflected in KIPP's initial enrollment plan in the approved charter, KIPP enrolled students in fifth grade only for its first year of operation. In 2022-2023, KIPP grew by one grade level, adding the sixth grade. Now, KIPP serves students in transitional kindergarten through first grade, and sixth through eighth grade. For the 2025-2026 school year, KIPP intends to add both the second and ninth grades.

KIPP currently operates its charter school program at 742 Dallas Avenue in Stockton. KIPP desires to secure additional facilities, on a temporary basis, while it pursues the acquisition and construction of a new site—preferably within the Conway Homes development located in South Stockton. To that end, KIPP submitted a written request for use of District facilities under Proposition 39 (Education Code section 47614; Title 5 of the California Code of Regulations, section 11969 et seq.) to house its ninth grade program for the 2025-2026 school year ("Proposition 39 Request").

In accordance with Proposition 39, the District evaluated KIPP's Proposition 39 Request and determined that KIPP was eligible for use of District facilities. After performing an extensive and detailed analysis of its sites and facilities to determine where it could house KIPP's ninth grade program, the District concluded that it would neither be feasible nor in the best interest of students to house KIPP on a single site.

On January 31, 2025, the District issued a preliminary offer of facilities, which included use of District space at the Merlo Institute of Environmental Science and Stockton Alternative High School. Three weeks later, on March 24, 2025, the District received an email from KIPP indicating that it had decided to formally rescind its request for facilities under Proposition 39 for the 2025-2026 school year. KIPP indicated that it had recently signed a two-year lease with the California State University ("CSU") Stanislaus at the University Park Campus for the 2025-2026 and 2026-2027 school years.

In response, the District sent a letter to KIPP, dated April 2, 2025, to confirm that it had discontinued the Proposition 39 facilities process. The District expressed its disappointment that KIPP had not notified the District of its intention to secure alternative facilities for its anticipated

ninth grade program for the 2025-2026 school year. The letter also served to remind KIPP that, as required by Education Code section 47605(a)(4), a charter school may not expand operations to one or more additional sites not identified in its charter without first receiving approval of a request to materially revise its charter to add such location(s) by the governing board of the chartering authority. Despite KIPP's representation that it had already entered into a lease agreement with CSU Stanislaus, the District had not received a written request for a material revision to its charter to add this site location. The District expressed that KIPP was not authorized to operate its charter school at an additional site that had not been approved by the District's Board. To that end, the District provided a copy of its Material Revision Guidelines in the event it chose to proceed with such a request.

On April 16, 2025, the District received KIPP's written material revision request and supporting documentation ("Request"). The Request included the following three proposed material revisions to its charter for the District Board's consideration and approval:

1. **Expansion to Additional Site for KIPP's High School Program.** Operate KIPP's high school program at the CSU Stanislaus campus, located at 612 East Magnolia Street in Stockton, for at least two years while KIPP's long-term site is developed. This long-term site has not yet been secured by KIPP. As a backup option, KIPP states that it would utilize space for its ninth grade program at its existing University Park campus or, alternatively, on the Stockton Collegiate campus.
2. **Addition of Dual Enrollment Program Option for KIPP High School Students.** The District also learned upon receiving the Request that KIPP desired to expand the educational program described in its approved charter to add a dual enrollment option so that KIPP high school students could enroll in college courses through a partnership with CSU Stanislaus.
3. **Expansion to Additional Site to House KIPP's Elementary School Program.** KIPP also expressed its desire to expand its operations to an additional site located at 2710 Colorado Avenue in Stockton to house its elementary school program. Currently, KIPP's elementary and middle school programs operate in facilities located at 742 Dallas Avenue in Stockton.

To support its Request, KIPP submitted the following documents:

- Cover letter, dated April 16, 2025, providing an overview of the proposed material revisions to KIPP charter.
- Signed KIPP board meeting minutes reflecting approval for the submission of the Request.
- Letter of Intent between CSU Stanislaus and KIPP.
- KIPP and Gruber Huber Lease Agreement for 820 N. American site (i.e., KIPP Stockton K-8 campus).

- Letter from the Managing Director of Stockton Collegiate International Schools expressing willingness to allow the KIPP high school program to temporarily operate at its site located at 1 N. Sutter Street in Stockton.
- KIPP Lease Agreement for 742 Dallas Avenue site, including two amendments to add the 2710 Colorado Avenue location and increase the base rent costs.
- Updated financial budget for the remainder of charter term (i.e., FY 2024-2025 through FY 2026-2027)
- Revised KIPP charter petition reflecting proposed material revisions and legal updates.
- “Clean” version of KIPP charter petition reflecting proposed material revisions and legal updates.

On May 13, 2025, the District’s Board held a public hearing to determine the level of support for the Request by District staff, parents/guardians, and members of the public. During the hearing, the District received comments from speakers who spoke both in favor and in opposition to the Request.

On June 10, 2025, the District’s Board will convene a second public hearing on the Request to consider this Report, statements and information presented by District staff and KIPP representatives, and members of the public who wish to address this matter. The Board will then deliberate and take action to approve or deny the Request.

As addressed below, District staff has conducted a comprehensive review of KIPP’s Request and the corresponding revisions to its current charter to reflect the addition of the proposed new locations for its elementary and high school programs, addition of a dual enrollment option for high school students, and additional legal updates. Based on that review, District staff recommends that the Board **deny** two of the proposed material changes and **approve** one of the proposed material changes in the Request as set out in further detail below.

### **Legal Requirements for Material Revision Requests**

Education Code section 47605(a)(4) imposes requirements on a charter school seeking to expand its operations to one or more locations following the approval of its charter petition. Specifically, Section 47605(a)(4) provides the following:

After receiving approval of its petition, a charter school that proposes to expand operations to one or more additional sites or grade levels shall request a material revision to its charter and shall notify the chartering authority of those additional locations or grade levels. The chartering authority shall consider whether to approve those additional locations or grade levels at an open, public meeting. If the additional locations or grade levels are approved pursuant to the standards and criteria described in subdivision (c), they shall be a material revision to the charter school’s charter.

Pursuant to Education Code section 47607, material revisions are governed by the same standards and criteria applicable to petitions to establish charter schools. Material revisions must

include a reasonably comprehensive description of any new requirement of charter schools enacted into law after the charter was originally granted or last renewed.

### **Findings of Fact**

Based on an extensive and detailed analysis of KIPP's submission of documentation to support its Request, District staff has significant concerns regarding the proposed material changes to its charter. The following summary includes District staff's findings of fact regarding these proposed material changes to KIPP's charter and its corresponding recommendation to deny the Request in part, and approve the request in part.<sup>1</sup>

#### **Finding #1: *The Addition of the Proposed KIPP High School Site and Dual Enrollment Option is Demonstrably Unlikely to Serve the Interests of the Entire Community.***

District staff has determined that KIPP's proposal to operate its high school program at the CSU Stanislaus facilities located at 612 E. Magnolia Street in Stockton (or its proposed alternative facilities), even on a temporary basis, is demonstrably unlikely to serve the interests of the entire community, especially when considering its intention to incorporate a dual enrollment option for high school students.

As the chartering authority of KIPP, the District must ensure that the proposed material changes to KIPP's charter align with legal requirements and do not adversely impact the educational community where the charter school operates. As a result of the passage of Assembly Bill 1505, the Education Code was amended to provide certain grounds by which a chartering authority is authorized to consider the potential community impact of a proposed material revision that involves the expansion of the charter school's program to one or more sites or grade levels. (Educ. Code § 47607(a)(4).) Specifically, the chartering authority may deny a material revision request to expand operations in this manner if the following finding is made:

The charter school is demonstrably unlikely to serve the interests of the entire community in which the school is proposing to locate. Analysis of this finding shall include consideration of the fiscal impact of the proposed charter school. A written factual finding under this paragraph shall detail specific facts and circumstances that analyze and consider the following factors:

(A) The extent to which the proposed charter school would substantially undermine existing services, academic offerings, or programmatic offerings.

(B) Whether the proposed charter school would duplicate a program currently offered within the school district and the existing program has sufficient capacity for the pupils proposed to be served within reasonable proximity to where the charter school intends to locate.

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<sup>1</sup> District staff, however, confirmed that KIPP included the necessary legal updates to various sections of its approved charter to reflect amendments to the law since it was originally authorized.

(Educ. Code § 47605(c)(7).)

The establishment of an additional KIPP location on the CSU Stanislaus property, coupled with the proposed dual enrollment option, would appreciably undermine the District's established educational programs and offerings. The District currently provide a robust array of dual enrollment opportunities, enabling secondary students to earn college-level academic credit.

KIPP's proposed location for its high school program and its focus on establishing a dual enrollment model directly duplicates existing programs within the District and—more specifically—within the immediate vicinity of where KIPP desires to locate its high school program. The District provides an array of college credit-bearing courses delivered through both in-person and online modalities, including courses to prepare students for careers in the healthcare and medical industries. The District's Health Careers Academy, Stockton Early College Academy, and Weber Institute of Technology (all of which are in close proximity to the CSU Stanislaus campus) offer a vast number of course options in these health and medical-focused areas. In addition, these District schools offer competitive internship opportunities for students in partnership with local healthcare entities. The addition of the same or a similar dual enrollment program model is, therefore, an unnecessary replication of services that are already available and actively being expanded by the District.

There has been an upward trend in student participation in these dual enrollment programs within the District, and current enrollment figures reflect that there is still substantial capacity for growth. The District's dual enrollment program and course offerings at its secondary school sites located within close proximity to the proposed KIPP location (as well as its alternative proposed facilities) possess sufficient capacity to accommodate the students that KIPP proposes to serve beginning with the 2025-2026 school year. The District offers 152 dual enrollment course sections at its two closest comprehensive high schools and four closest small specialty high schools on an annual basis. Current data reflects a combined projected enrollment across these specific schools of approximately 5,530 students and an overall capacity of 6,350 students—leaving 820 open seats available for high school student enrollment. This surplus demonstrates the District's ability to absorb additional students into its dual enrollment programs. Also, all six secondary schools are located within 3.7 miles or closer to the proposed KIPP location, ensuring convenient access for students to participate in dual enrollment and other programmatic offerings without transportation challenges.

Thus, the introduction of KIPP's proposed dual enrollment options for its high school students would directly impede the District's ability to build upon and grow these critical academic options, thereby detracting from the comprehensive services available to District students.

The following chart reflects the specific secondary schools and their corresponding sections of dual enrollment, total projected enrollment for the school for the 2025-2026 school year, each site's enrollment capacity, the number of available seats, and the total distance from the proposed KIPP high school campus:

<b>District Secondary School</b>	<b>Sections of Dual Enrollment</b>	<b>Total Projected Enrollment for the School</b>	<b>Enrollment Capacity</b>	<b>Open Seats</b>	<b>Miles From Proposed Campus</b>
Edison High School (Comprehensive)	33	2300	2600	300	2.5
Stagg High School (Comprehensive)	19	1750	2100	250	3.7
Stockton Early College Academy	60	450	500	50	.1
Health Careers Academy	16	450	500	50	.1
Pacific Law Academy	20	230	250	20	3.7
Weber Institute of Technology	4	350	400	50	2.5
<b>Total</b>	<b>152</b>	<b>5,530</b>	<b>6,350</b>	<b>820</b>	<b>3.7 miles or closer</b>

The addition of KIPP’s proposed high school site, including the proposed dual enrollment option, is also anticipated to have an appreciable and adverse fiscal impact on the District. If KIPP were to divert students who would otherwise enroll in one of the District’s high schools, this could result in the potential loss of up to \$3,100,000 in average daily attendance (“ADA”) funding. This demonstrable reduction in revenue would directly impede the District’s capacity to sustain and expand its existing educational programs, including its current dual enrollment offerings, and to furnish comprehensive services to all students within its jurisdiction. Such a loss in funding would cause the District increased fiscal strain and limit the District’s ability to serve the educational needs of its community.

Therefore, District staff has determined that the approval of KIPP’s Request to add a site location at the CSU Stanislaus campus for its anticipated incoming high school students, along with its proposed dual enrollment option for those students, would cause an adverse community impact on the District by substantially undermining existing services and academic and programmatic offerings, while serving to duplicate existing District programs that have the capacity to enroll the number of high school students that KIPP projects to enroll over the remainder of its current charter term.

The District also notes that KIPP represented in correspondence, dated March 24, 2025, that it had already signed a lease with CSU Stanislaus to use facilities at its University Park Campus for

the next two school years. However, in the cover letter included with the Request, KIPP stated that it had enclosed a “Letter of Intent” between the parties detailing the basic terms and conditions for a proposed sublease of the facilities at 612 E. Magnolia in Stockton. These statements are inconsistent, and it is unclear whether KIPP already executed a lease agreement with CSU Stanislaus for the two-year term but chose to only include a Letter of Intent with the Request after recognizing that it needed to seek formal approval from the District’s Board before entering into a contractual agreement to lease a site or facility not listed in its approved charter.

**Finding No. 2: *KIPP Has Not Met its Enrollment Targets and Its Reported Revenues and Expenditures Are Inaccurate and Inconsistent Which, Taken Together, Do Not Support KIPP Incurring Additional Facilities and Operating Costs to House its Ninth Grade Program.***

As articulated in the District’s Material Revision Guidelines, KIPP was required to provide an updated financial budget and corresponding budget assumptions reflecting the impact of the change(s) to the charter for the remaining years in the current charter term. KIPP included a copy of its updated financial budget as part of its material revision submission package; however, budget assumptions were not included. Following an evaluation of the proposed budget updates, the District contacted KIPP regarding the omission of the budget assumptions and to request a copy. KIPP provided its budget assumptions and a copy of its enrollment and staffing plan for 2025-2027. The assumptions, though, identified the wrong local district—Ravenswood City Elementary—and, therefore, were inapplicable.

**Student Enrollment Trends**

The District compared KIPP’s updated budget and enrollment/staffing plan to the projections reported in its second interim report, as well as the estimated actuals for the 2024-2025 fiscal year that were submitted to the San Joaquin County Office of Education. This comparison resulted in the discovery of significant inaccuracies, inconsistencies across financial documents, and systemic concerns with KIPP’s projected revenues and expenditures. When considered together, the District has substantial concerns regarding KIPP’s ability to meet its financial obligations over the long term, especially as certain facilities and operating costs become due.

KIPP’s student enrollment trends consistently demonstrate a pattern of under-enrollment and revenue assumptions that are overly optimistic and unsupported by historical trends. The following chart details KIPP’s projected student enrollment, as set out on page 20 of its approved charter, in addition to its actual enrollment to date and projected enrollment for the remaining years of its charter term:

Year	Enrollment Projection in Approved Charter	Actual Student Enrollment	Percentage of Actual Enrollment Compared to Projections	KIPP Enrollment Plan (Remaining Years of Charter Term)
Year 1 (2021-2022)	112	55	49%	****

Year 2 (2022-2023)	224	112	50%	****
Year 3 (2023-2024)	473	101	21%	****
Year 4 (2024-2025)	697	265 (planned actual)	38%	274
Year 5 (2025-2026)	1,029	****	****	546
Extension Year (2026-2027)	****	****	****	759

As shown above, from the 2021-2022 to 2024-2025 school years, actual enrollment has averaged far lower than the enrollment KIPP projected in its charter. Given that projected revenues are predicated on ADA, and such numbers appear to have been significantly inflated in the updated financial budget submitted with the Request, KIPP's consistent under-enrollment suggests that potentially 60% of its anticipated revenue for the remaining years of the charter term may not materialize. An overstatement of revenue to this degree presents a significant financial risk, which directly impacts cash flow, staffing levels, overall programmatic stability, and the ability to repay what appears to be a multi-million dollar facilities loan to the state.

#### Discrepancies in Reported and Projected Revenues

There are large, unexplained discrepancies and omissions across multiple revenue categories in KIPP's updated financial budget when compared to its second interim report and the Local Control Funding Formula ("LCFF") calculator submitted to the District and San Joaquin County Office of Education.

The general purpose/LCFF revenue projections reported by KIPP in its updated budget included with the Request are significantly higher than those projected by the District for FY 2025-2026 and FY 2026-2027. The District's projections are based on information provided by KIPP. Specifically, for FY 2025-2026, KIPP projects \$7,821,816 in revenue, compared to the District's estimate of \$6,058,438—a difference of approximately \$1.76 million. For FY 2026-2027, KIPP's projection increases to \$11,006,013, whereas the District projects \$7,687,008—resulting in a discrepancy of over \$3.3 million. These substantial variances could have a material financial impact on budgeting, planning, and resource allocation.

In addition, KIPP identified SB 740 facility grant funding as a source of revenue in its updated budget as follows:

FY 2024-2025: \$305,880  
FY 2025-2026: \$621,380  
FY 2026-2027: \$878,484



According to the District’s records, KIPP received an award of SB 740 grant funding in the amount of \$74,069.63 for FY 2024-2025, which indicates that KIPP overstated this amount in its updated budget by \$231,810.37. It is also unclear how KIPP determined the anticipated award amounts for FY 2025-2026 and FY 2026-2027 because it did not provide the District with detailed budget assumptions.

The District also questions why KIPP did not allocate any funds under state or federal revenue sources for the administration of its special education program, yet it includes special education expenditures approaching \$1,307,044 by FY 2026-2027.

Moreover, the District found significant discrepancies in the revenue amounts listed for other state block grants when comparing the updated budget to KIPP’s second interim report. The following details the differences between these reported revenue amounts:

	<b>Updated Budget</b>	<b>Second Interim</b>	<b>Difference</b>
<b>FY 2024-2025</b>	\$528,080	\$786,189	\$258,109
<b>FY 2025-2026</b>	\$821,338	\$1,531,861.92	\$710,523.92
<b>FY 2026-2027</b>	\$1,213,363	\$2,233,716.97	\$1,020,353.97

The District further questions KIPP’s anticipated receipt of local/private revenue and whether the amounts included in the updated budget are reasonable. For example, KIPP indicates an anticipated \$7,029,871 in revenue generated through local grants and philanthropy and school-based revenue in FY 2025-2026. This amount sharply decreases to \$4,024,040 for FY 2026-2027. There is no explanation as to how these amounts were determined (e.g., letters of commitment from philanthropic organizations, etc.) or whether KIPP has a backup plan if such funding is not realized.

#### Discrepancies in Reported and Projected Expenditures

KIPP projects enrollment growth for the upcoming school years, yet the total expenditures budgeted for teacher salaries are lower than the total expenditures reported for administrative salaries. For example, KIPP intends to double its total enrollment for next school year (i.e., 265 students in 2024-2025 to 546 students in 2025-2026). KIPP provided for a corresponding increase in teacher salaries to \$2,446,994 (representing an approximate \$1,000,000 increase from FY 2024-2025) to account for this student enrollment growth. However, the line item for administrative salaries was also increased by nearly \$1,000,000 between FY 2024-2025 and FY 2025-2026 (i.e., from \$1,950,675 to \$2,866,621) in the updated budget. KIPP presented no detailed assumptions to justify this discrepancy, and it is unclear why administrative salaries would significantly exceed total teacher salaries for the same fiscal year. This gives the impression that the organization may be too “top heavy” and funds are not being prioritized for the instructional program or for providing competitive compensation to attract and retain qualified and experienced teaching staff.

In addition, the allocation for food services is unrealistic. According to the updated budget, KIPP only allocated \$4,264 in FY 2024-2025, \$6,285 in FY 2025-2026, and \$6,410 in FY 2026-2027 for food services. There is also no corresponding line item reflecting a source of federal revenue through the National School Lunch Program and/or School Breakfast Program. This is

concerning given that charter schools are mandated to provide a nutritionally-adequate breakfast and lunch to students, free of charge, to any student who request a meal during each school day. (See Educ. Code § 49501.5.) Even if KIPP does not participate in these federally-funded programs, the District still expects to see appropriate expenditures for student nutrition services included within its budget.

Similarly, the District noted a substantial reduction in materials and supplies budgeted for the next two fiscal years that appears inconsistent with KIPP’s projected student enrollment increases and its corresponding operational demands. Specifically, the second interim report shows supplies and materials budgeted at \$913,360 for FY 2024-2025. However, in the updated budget, KIPP significantly reduced this amount to \$444,605 for the same fiscal year. There are also notable discrepancies in the out years, with the second interim report reflecting \$938,530 in supplies and materials for FY 2025-2026 (in contrast to \$760,839 in the updated budget) and \$1,485,490 in supplies and materials for FY 2026-2027 (in contrast to \$947,825 in the updated budget).

One of the most concerning categories of expenditures included in the updated budget pertains to KIPP’s allocation of facilities-related costs per fiscal year. KIPP projects the following in “rent” and “occupancy” expenses during the current and subsequent two fiscal years:

<b>Budget Item/Expense</b>	<b>FY 2024-2025</b>	<b>FY 2025-2026</b>	<b>FY 2026-2027</b>
Rent	\$2,114,202	\$2,638,940	\$3,620,635
Occupancy	\$202,047	\$574,524	\$719,494

The District understands that KIPP’s high facilities-related costs are associated with its acquisition and development of the facilities located at 742 Dallas Avenue and 2710 Colorado Avenue to house its elementary and secondary programs, and presumably the additional rent and operating costs associated with the proposed leasing of facilities from CSU Stanislaus. However, given the stagnated or delayed enrollment growth, and considering the fact that local educational agencies are experiencing declining enrollment throughout the State of California, the District seriously questions whether KIPP will be able to meet its financial obligations. Because the largest source of charter school funding is derived through the Local Control Funding Formula and is directly tied to student ADA, if KIPP cannot meet its lofty enrollment goals, this could have a domino effect and seriously jeopardize its ability to pay for these facilities expenditures—especially if KIPP seeks to acquire additional acreage from Conway Homes in the near future to construct new facilities to house its high school program.

The District also notes that the allocation of rent for FY 2024-2025 in the updated budget appears inaccurate. KIPP included a total of \$2,114,202 in rental costs; however, per the Second Amendment to the Lease Agreement for the 742 Dallas Avenue and 2710 Colorado Avenue properties, the base rent for those sites increased to \$177,215.25 per month, effective August 30, 2024. Therefore, it appears that the updated budget should have reflected, at a minimum, a total of \$2,126,583 in annual rent costs. Although the difference between these two figures is approximately \$12,000, there are no detailed assumptions to support KIPP’s figures.

Significantly, the net income reflected in the updated budget remains identical to the excess of revenue reported in the second interim—even though there were significant adjustments to the

line items across multiple expenditure categories. This gives the impression that KIPP reverse-calculated the numbers to achieve a predetermined financial outcome, rather than reflecting a more conservative or realistic fiscal outlook that aligned with its second interim report and LCFF calculator.

Based on the foregoing, without the implementation of more accurate enrollment projections and demonstrably sound fiscal planning, the updated budget constitutes a considerable financial risk. Thus, District staff cannot support the expansion of KIPP's high school program to an additional site, which will necessarily result in KIPP incurring substantial facilities-related and operating costs.

**Finding No. 3: *District Staff Recommends the Addition of the 2710 Colorado Avenue Site to KIPP's Charter With the Condition that KIPP Resolve the Financial Discrepancies Detailed in Finding No. 2 Above.***

KIPP seeks an after-the-fact approval of the addition of the 2710 Colorado Avenue site to its current charter.

The original facilities description in KIPP's charter detailed its intention to operate a K-12 program in the South Stockton Community. KIPP specifically noted that it was submitting a request for qualifications to the Housing Authority of San Joaquin County to secure a five-acre parcel in the Conway Homes division to construct facilities for its elementary, middle, and high school programs. In that same section of the charter, KIPP expressed its commitment to serving students specifically within this South Stockton community.

Given that KIPP is anticipating a total student enrollment of 546 students for the 2025-2026 school year, despite including a projection of 1,029 students, KIPP should be able to accommodate all of its grade levels at the 742 Dallas Avenue and 2710 Colorado Avenue facilities. KIPP has not presented any evidence or support within the Request to indicate that those sites are, or will be, at capacity or cannot serve an incoming ninth grade program. It appears from the Request that KIPP's intention to locate its high school program at the CSU Stanislaus campus is so that it can partner with the college to provide dual enrollment opportunities for its students, even though these options are already widely available at neighboring District schools. Also, significantly, locating the high school program away from the elementary and middle school programs in the Conway Homes neighborhood runs counter to the promises and affirmations made in the charter previously approved by the District's Board.

District staff also finds it important to draw attention to the fact that KIPP failed to timely submit a request to materially revise its charter to include the 2710 Colorado Avenue site. KIPP represented to the District in prior communications and during the first public hearing that this site constitutes the "same parcel of land" as the 742 Dallas Avenue site, suggesting its belief that it did not need to formally request a material revision to add this location to its charter. Instead, KIPP has seemingly created a narrative that the addition of this site is only a non-material, administrative change. However, the 2710 Colorado Avenue site is *not* the same parcel of land as 742 Dallas Avenue. They contain different Assessor's Parcel Numbers (742 Dallas Avenue is assigned APN 163-070-430, and 2710 Colorado Avenue is assigned APN 163-070-440) and possess different physical addresses. The two standalone properties are also separated by Flint

Avenue, a public street. Therefore, it is inaccurate to assume that KIPP's construction of school facilities on the 2710 Colorado Avenue property does not constitute an expansion to an additional site for purposes of triggering the material revision requirements under Education Code section 47605(a)(4).

As reflected in the documentation included with the Request, KIPP Public Schools Northern California (as the operator of the charter school) entered into a Lease Agreement dating back to September 30, 2022 to lease the 742 Dallas Avenue property from Houston Avenue LLC, which appears to be a holding company and directly affiliated with the larger KIPP organization.<sup>2</sup> Thereafter, the parties entered into two amendments to the Lease Agreement on or around December 29, 2023, and on or around August 30, 2024, respectively, to add the 2710 Colorado Avenue site to the lease and to substantially increase the base rent from \$59,166.67 to \$177,215.25 per month.

The District was unaware of these lease documents or the significant financial commitment that KIPP was assuming for the development of the 2710 Colorado Avenue site. It was not until the District received a request from KIPP in July 2024 to complete a written certification of good standing form for the California School Financial Authority's ("CSFA") financial soundness review that the District became aware of KIPP's intention to secure funding and/or financing for the construction of those facilities. It appears that KIPP secured funding and/or financing under the Project Acceleration Notes and Credit Enhancement Alternatives Program, which supports short-term interim financing to charter schools that have received a reservation of funds under the Charter School Facilities Program or are awaiting issuance of long-term debt through the Conduit Bond and Note Financing Program administered by the CSFA. Except for the information contained in exhibits to the lease documents, this financing arrangement is not meaningfully described by KIPP in the Request.<sup>3</sup>

By failing to timely submit a material revision request, KIPP deprived the District of its statutory right to evaluate its proposed facilities expansion, financing structure, budget forecasts, location, and other details to determine whether KIPP would have the capacity to take on a multi-million dollar financial commitment of this nature. While there have been changes in District leadership in the past few years, the District expected KIPP to be forthcoming and fully transparent in its proposed facilities planning to support the buildout of its program. The decision to submit a material revision request should not be reactionary but, instead, should have been considered a required and essential part of KIPP's initial facilities planning when it decided to pursue acquisition of the site.

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<sup>2</sup> The Lease Agreement specifies that KBARE serves as the sole member of the Houston Avenue LLC. KBARE is a non-profit public benefit corporation that, according to its Articles of Incorporation filed with the California Secretary of State, was organized to, among other functions, "lease, own, manage, and maintain charter school facilities" on behalf of KIPP Bay Area Schools.

<sup>3</sup> The District also notes that while KIPP included copies of the Lease Agreement and two amendments to that instrument, certain exhibits contain form documents that are left unfilled or blank. For example, the Lease Agreement includes a Form Intercept Notice referencing a schedule for the Equitable Facilities Fund ("EFF") loan debt service, but the schedule is blank. Consequently, the District cannot evaluate the schedule or amount of the debt service payments to see how those figures align with the updated budget.

Nevertheless, because the addition of the 2710 Colorado Avenue site is in alignment with KIPP's intention, as set out in its charter, to operate a K-12 educational program within the Conway Homes neighborhood to serve students in this South Stockton community, District staff will support a recommendation for the Board to approve the addition of this site to its charter. District staff, however, expects that KIPP will provide the District with an accurate updated budget, multi-year projections, detailed budget assumptions, and a written plan demonstrating how it will meet its facilities-related financial obligations over at least the remainder of the current charter term.

### **Recommendation**

Based on the information and findings presented above, District staff recommends that the Board take action to:

1. **Deny** KIPP's request to add the CSU Stanislaus site or proposed alternative facilities locations (other than 742 Dallas Avenue and 2710 Colorado Avenue) to serve its anticipated high school student population.
2. **Deny** KIPP's request to add a dual enrollment program option for its high school population.
3. **Approve** the addition of the 2710 Colorado Avenue site to its current approved charter.