

Jablow Testimony, DMPED Performance Oversight, 2/24/2020

My name is Valerie Jablow, testifying as a DC taxpayer concerned with oversight of DC revenue bonds used for charter schools.

In August 2016, Eagle Academy charter school bought property at 2345 R St. SE. In September 2016, Eagle applied with the charter board to build a school at that location to replace its Ward 6 facility. At the end of November 2016, legislation was introduced to authorize up to \$20 million in DC revenue bonds for Eagle to build its school at 2345 R.

But it wasn't until December 19, 2016 that the charter board **actually approved a school at that location**—a day before the council passed the Eagle revenue bonds legislation.¹

That meant that DC revenue bonds were being considered by this body for a use before the charter board had even approved that use.²

In December 2019, after the building at 2345 R was completed but not occupied by Eagle, Eagle applied with the charter board to either sell or lease it, because Eagle had gotten a deal on a lease for a new building in Ward 6.³

Thus, Eagle's facility at 2345 R, which DC revenue bonds were issued to build, was never once used by Eagle as a school. This shows that the DC revenue bond program can be used by a charter school to obtain low-cost financing to build a facility with public funds (via the per pupil facilities allocations given to all charters) that will never be used for the purpose that those bonds were issued for.

In this case, the revenue bonds have also permitted a charter school to become a landlord—and not a school. That use of the bonds is quite different from that approved by this body.⁴

There are also other issues of public concern.

¹ The revenue bond legislation is here: <http://ims.dccouncil.us/Legislation/PR21-1048>

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The language used in the legislation to describe Eagle and its property at 2345 (then called 2403 Naylor) is in the present tense, highlighting the fact that although the school was not yet approved by the charter board to be at that location, it was already assumed to be there by this body.

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See the application here:
<https://dcpcsb.org/notice-petition-amend-charter-campus-and-facilities-eagle-academy-pcs>

⁴ According to William Liggins, the bond agreement in this case allows Eagle to retain its DC revenue bond financing if it leases the 2345 R St. SE facility to another charter school.

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Eagle obtained permits for construction at 2345 R that were not appropriate for work actually done, including extensive demolition and construction.⁵ As a result, DCRA issued multiple stop work orders until finally issuing a permit for the work in April 2019. In 2020, several contractors filed liens against Eagle for about \$1.5 million of unpaid work at that site.⁶ All of this suggests that the school has not been following good contracting rules or use of its public money, including the revenue bonds issued for building it.

What I am relaying here is not a one-off.

In a February 2019 statement to holders of its DC revenue bonds, which it took out in part to renovate the city-owned building at 770 Kenyon St. NW, Chavez charter school noted that it wanted to “monetize the asset.”⁷

In its recent application with the charter board to locate at 770 Kenyon, Meridian charter school implied that Chavez was entertaining competitive bids to assume its lease.⁸ The winning bid, apparently, is Meridian’s offer of \$8.5 million to Chavez—but we do not know how much of that bid is going to pay off Chavez’s revenue bonds nor how much represents pure profit.

Both cases illustrate how public money, in the form of charter per pupil facilities allocations, is being leveraged via low-cost DC revenue bonds without the public being fully informed--or even in accordance with the bonds’ authorizing legislation.

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See here:

<https://www.wusa9.com/article/news/education/eagle-academy-charter-school-built-without-permits-leaving-before-opens/65-c89178db-8bd6-4245-a42a-22d9d6f25179>

⁶ The January 2020 lien is here: <https://educationdc.files.wordpress.com/2020/02/2020009281.pdf>

The February 2020 lien is here: <https://educationdc.files.wordpress.com/2020/02/second-lien.pdf>

The January lien makes clear that unpermitted work was ongoing at the site in October 2018.

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See the shareholder document here:

<https://educationdc.files.wordpress.com/2020/01/chavez-bondholder-document.pdf>

⁸ See Meridian’s application here:

<https://dcpcsb.org/notice-petition-amend-charter-new-location-meridian-pcs>

A screenshot of the specific page of the application that references the competitive nature of Chavez regarding the bid for its lease is here:

<https://educationdc.files.wordpress.com/2020/02/meridiannotes.pdf>

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I ask that the council provide oversight to ensure that DC revenue bonds are not thusly used out of sight of public interest or oversight. Thank you.