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NMTCs Take Center Stage in Performing Arts High School Expansion

By Jennifer Dockery, Assignment Editor, Novogradac & Company LLP

Only a few hours remained before students at Orange County High School of the Arts (OCHSA) would take the stage of the Margaret A. Webb Theatre at the grand opening of the former OC Pavilion in Santa Ana, Calif. Yet, school administrators, Farmers & Merchants Bank (F&M) and Clearinghouse CDFI, along with their consultants and attorneys had not closed the new markets tax credit (NMTC) transaction that would enable the performing arts charter high school to acquire the theater and other buildings. They had hoped to close a week earlier, but minor setbacks had made that impossible and the partners worked feverishly to have everything in place before the students' first performance. At 5 p.m. on December 10, with only two hours until the curtain rose, the partners received an email confirming the property transfer from the title company. The show would go on.

"People were solving all of their challenges and all of their issues ... Everybody kept pushing toward the deadline," said Jeff Spinelli, F&M's senior vice president. "It was joyful. It was 'we made it.' It was a huge sense of accomplishment," he said of completing the transaction.

The \$30 million transaction will help OCHSA, a tuition-free public charter school in Southern California, increase its enrollment, expand its programs and provide professional-

grade facilities for its seventh through 12th grade students. The OCHSA transaction includes the acquisition of the former OC Pavilion, a 50,000-square-foot facility that includes a 500-seat theater; a 10,000-square-foot building south of the campus; and the refinancing and renovation of three existing OCHSA buildings. OCHSA will use 25,000 square feet of the OC Pavilion, renamed the OCHSA Center for the Arts, as performance space and use the remaining space for instruction. The school will use a professional kitchen



Photo Courtesy: Cheryl Walsh, Alt-Senior.com

OCHSA's Montage performing group performs during the Center for the Arts' grand opening.

in the facility to launch a culinary arts training program. The second building, which is south of the existing campus, will serve as a new visual arts facility for the school's 1,550

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students.



Photo Courtesy: Cheryl Walsh, Alt-Senior.com
Margaret A. Webb (third from right), for whom the theatre was named, attended the grand opening in December with her family.

"All of this space is going to allow us to expand programs. The theater that we acquired ... there's not a high school in the country that has anything like that," said Ralph S. Opacic, OCHSA's president and executive director. "It will allow us to produce a higher quality performance. It's just going to elevate the quality of our students' experience to a truly professional level."

A New Funding Source

Opacic knew that the current economic climate could affect OCHSA's chances of funding the expansion. To increase its chances of success, OCHSA engaged a financial consultant to help with the funding process. The consultant suggested that the school try to obtain funding through the NMTC program. Opacic had never heard of the program, but thought it had potential.

"In the current economy, there was no way we could have acquired these properties without the NMTC," Opacic said.

The financial consultant proposed the project to F&M and Clearinghouse. Clearinghouse liked that F&M was interested in providing both the debt and equity for the project. Clearinghouse had worked with F&M on an NMTC transaction several years earlier. This transaction was different, however, because it involved several other mission-based leveraged lenders.

"There [are] a lot of great projects out there, but until you have a leveraged lender in place, you don't have a project," said Douglas Bystry, Clearinghouse's president and chief executive officer.

OCHSA acquired the OC Pavilion for \$13 million and the visual arts building for \$1.85 million. The remaining funds will be used

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to acquire and renovate additional buildings and for campus beautification. F&M provided both the NMTC equity and a leveraged loan for the \$30 million project. Additional funding came from philanthropic lenders. OCHSA hopes to raise \$21 million to retire the project debt that will remain after five years.

"The idea is that our funding will allow them to have more students, more outreach. To us, that's what's really exciting. We just think it's a very, very real resource in the community," said Bys-try.

OCHSA plans to increase its enrollment by 400 students during the next seven years, bringing annual enrollment to nearly 2,000 students. Auditions for the 2011-2012 academic year began in January. At press time, OCHSA was considering launching a pilot culinary arts program next year and adding a full program to the curriculum in the 2012-2013 academic year. ❖

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