

**U.S. Department of Education - EDCAPS  
G5-Technical Review Form (New)**

Status: Submitted

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## Technical Review Coversheet

Applicant: Low Income Investment Fund (U354A140003)

Reader #1: \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design</b>		
1. Project design	35	28
<b>Quality of Project Services</b>		
1. Project services	15	11
<b>Adequacy of Resources</b>		
1. Capacity	35	28
<b>Quality of Project Personnel</b>		
1. Project personnel	15	13
<b>Sub Total</b>	100	80
<b>Priority Questions</b>		
<b>Competitive Preference Priorities</b>		
<b>Competitive Preference Priorities</b>		
1. CPP 1	15	10
<b>Sub Total</b>	15	10
<b>Total</b>	115	90

# Technical Review Form

Panel #1 - 2014 CESCOF - 1: 84.354A

Reader #1: \*\*\*\*\*

Applicant: Low Income Investment Fund (U354A140003)

## Questions

### Selection Criteria - Quality of Project Design

**Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers--**

**a) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;**

**b) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**

**c) The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;**

**d) The extent to which the project is likely to produce results that are replicable;**

**e) The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**

**f) The extent to which the proposed activities will leverage private or public sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;**

**g) The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 5202(e)(3) of the Elementary and Secondary Education Act of 1965;**

**h) The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project; and**

**i) The extent to which the proposed project is supported by strong theory (as defined in 34 CFR 77.1(c)).**

### Strengths:

The proposal states it will provide finance options that meet the needs of charter schools in many stages of development with flexible terms that enable the charter schools to continue to grow and maintain financial stability. Through larger LTV ratios, charter schools will be able to obtain much needed facilities and still main sufficient cash flow for daily operations. Pgs. 11-12

Goals and objectives are clearly outlined and support the proposed project by identifying a wide variety of products designed to meet the diversified needs of charter schools. The timeline provided indicates a large number of charter schools will be assisted during the grant period. Pgs. 12 – 15

The applicant is comprised of four CDFI's that have a successful history of providing financing options to charter schools. The implementation activities have been designed based on survey feedback from current borrowers and charter school support organizations. Working together, this applicant hopes to further refine the underwriting policies that will assist other lenders in determining the likelihood of success of start-up and early year charter schools. Pgs. 16-17

Through the cooperative effort of the four entities, the applicant hopes to refine best practices used to evaluate early-stage charter schools for possible financing. These results will be published in year 5 of the grant proposal hoping to assist new lenders in their endeavors to finance charter schools. Pg. 18

The members of the consortium individually have had great success financing charter schools with a collective total of 696 charter schools receiving some type of financial assistance. Based on this history, the applicant will continue their current practices targeting areas with the highest need of school choice and charter schools that demonstrate high academic quality. Pg. 18

The applicant will leverage the grant dollars at 10:1 through the use of their member's capital and capital from other national providers. There are letters of support from national and regional banks indicating interest in this program. Additionally, private foundations have indicated through letters of support that they will continue to provide assistance for this new project, as they have in the past. Pg. 20 and Appendix

This grant proposal will target charter schools in states with strong charter laws. The applicant will select states that have good accountability, multiple authorizers and a high degree of fiscal autonomy for charter schools. Information from the Center for Education Reform and the National Alliance for Public Charter Schools will assist the applicant in determining states that have strong charter laws. Pg. 21 and Appendix

The requested grant amount will service 51 charter school operators across 18 different states. Projected costs will be covered by the expected revenues and the applicant will not take any administrative costs from the grant. Pgs. 16, 22-23

The narrative indicates that the logic model chosen for this project will utilize funds from the grant, private capital and the capacity of the individual entities involved to continue providing finance options for charter schools. Additionally, the applicant hopes to obtain new lenders to this market through this model. Pg. 24 and 1571

**Weaknesses:**

With the exception of the state assessment data provided from Atlanta, GA (pg. 7), there is no information provided on students in grades K – 8. This information would have presented a bigger picture of students to be served by this grant proposal.

The logic model provided on page 1571 does not describe the relationship between the three aspects of the model. Further discussion on this model and what inputs will be provided, the outputs they will produce and how these will produce the outcomes indicated in the application should have been provided.

The applicant discusses the use of NMTC in the application as a type of loan product the charter schools can access. This product should be clarified to state it is a source of funding.

Because the requested amount of the grant is higher than the allowable limit, there is concern whether the project can be completed as presented.

The applicant did not indicate where the additional funding will come from to bring the leveraged CE funds to the assumption of 10:1.

While the applicant has indicated the 5 year project results will be published in order to help replication efforts, there should have been different types of replication activities presented that would have involved actually meeting with other lenders or presenting at conferences. In order to really affect the market, people need the opportunity to hear the results and ask questions to further clarify the project for themselves.

The requested grant amount is more than the \$8 million grant cap as described in the regulations. It may be difficult for the applicant to provide the amount of assistance claimed in the narrative without the total requested amount.

The timeline should provide specific tasks that should be done at specific times within the grant cycle. Additionally, areas of responsibilities should be defined along with personnel that will have be responsible for those tasks.

The process of selecting charter schools for assistance and the specific selection criteria that will be used outside of the information provided in the geodata base should have been articulated.

**Reader's Score: 28**

### **Selection Criteria - Quality of Project Services**

#### **1. Quality of project services. In determining the quality of project services, the Secretary considers**

**a) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**

**b) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**

**c) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools access to facilities financing, including the reasonableness of fees and lending terms; and**

**d) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

#### **Strengths:**

This project will provide a variety of financing strategies tailored to meet the needs of each specific charter school. The consortium intends to apply for other grant funding opportunities hoping to be able to expand their reach into much needed markets. Pgs. 24 – 26

The applicant surveyed charter school operators and authorizers to determine the types of financial products that are needed. The application contains over 40 letters of support from charter schools and chartering agencies as well as charter support networks, for this project. Pg. 27 and Appendix.

The technical assistance provided to charter schools will be tailored to the specific needs of each individual charter school. The applicant has had success helping charter schools obtain both reasonable rates and terms for their given situation. Pg. 28

The narrative indicates that successful processes are in place to identify charter schools that are likely to succeed. Additionally, three factors are identified that, when present, will lead to academic and financial success. Pg. 30

#### **Weaknesses:**

The letters of support from the individual charter schools do provide some specific details about the charter schools, but they are form letters that state the same general information.

While the applicant addresses the fact that charter schools with the greatest need will be helped, there is not enough evidence that start-up charters, outside of a CMO, will be successful in obtaining financing.

The applicant did not state how rates will be determined making it difficult to determine if they are truly reasonable.

There is not enough specificity concerning how the technical assistance that will be provided to charter schools will help

provide lower rates and terms.

**Reader's Score:** 11

### **Selection Criteria - Adequacy of Resources**

- 1. Capacity. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers:**
  - a) The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**
  - b) The applicant's financial stability;**
  - c) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
  - d) The applicant's expertise in education to evaluate the likelihood of success of a charter school;**
  - e) The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;**
  - f) If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;**
  - g) For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and**
  - h) For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

#### **Strengths:**

The applicant contains four of the strongest CDFI's and they have a successful history of facility financing for charter schools. Collectively they have helped over 600 charter school obtain some type of financing for facilities. These entities work together to provide creative financing alternatives for each charter school they service. Pgs. 31 – 32

Each entity presents documentation of their financial stability. The four entities are well managed with a good balance of assets and liabilities. Additionally, each entity has obtained the highest CARS rating for Financial Strength and Performance and they each have the highest Impact Rating. Pg. 33 and Appendix

Each member of the consortium has extensive underwriting policies to ensure the financing they provide is as risk free as possible. Additionally, policies are in place to ensure strong portfolio monitoring to maintain good financial health. Appendix

Each member has a detailed conflict of interest statement in the Standards of Conduct and the bylaws that include steps to be taken in the event of a conflict. Appendix

An agreement is in place that clearly articulates the responsibilities that each entity will have to the project, and the

responsibilities that each entity will continue to carry out individually. Pg. 41 and Appendix

Each entity has been the recipient of a Credit Enhancement grant both individually and with partners. Each grant performance has exceeded the targeted goals with very little loan loss. Pgs. 41-44 and Performance reports in Appendix

**Weaknesses:**

While the applicant has significant experience underwriting charter schools and determining the likelihood of success, there is not an educational presence on the Board of Directors of three of the entities. This presence would help each entity to have a direct line to an individual with first line experience working in and around charter schools. Appendix

There is a discussion in the narrative of the educational expertise of each entity and how that will be used individually, but there is not a collective sense of how the expertise will benefit the consortium and the goals they are trying to reach with this proposed project.

There is not a sense that the entities involved in this application are working together on this project. It is evident that while certain aspects of reporting are assigned to specific individuals, the entities appear to be on their own to work on financial deals with charter schools. This is not presented as a true consortium.

**Reader's Score: 28**

**Selection Criteria - Quality of Project Personnel**

**1. Quality of project personnel. In determining the quality of project personnel, the Secretary considers--**

**a) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**

**b) The staffing plan for the grant project.**

**Strengths:**

Resumes are provided for key personnel within each entity that will work on the project. Each individual has more than sufficient experience to be successful within the proposed project. Appendix

The grant administrator has been identified and is well qualified for the position. Pg. 45-46

Each entity has responsibility for certain aspects of the proposed project and for their own processing of charter school financing. Key personnel are noted for each entity. These individuals have significant experience carrying out these processes within the entity. Pgs. 44 - 46

**Weaknesses:**

Consultants that will be used during this proposal should be named and their qualifications discussed.

**Reader's Score: 13**

**Priority Questions**

## Competitive Preference Priorities - Competitive Preference Priorities

1. This priority is the capacity of charter schools to offer public school choice in those communities with the greatest need for school choice based on--

a) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended.

b) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and

c) The extent to which the applicant would target services to communities with large proportions of students from low-income families.

**Note:** In order to receive competitive preference points under this priority, applicants serving charter schools in States operating under ESEA Flexibility that have opted to waive the requirement in ESEA section 1116(b) for local educational agencies (LEAs) to identify for improvement, corrective action, or restructuring, as appropriate, their Title I schools that fail to make adequate yearly progress (AYP) for two or more consecutive years should target services to geographic areas in which a large proportion or number of public schools have been identified as priority or focus schools, or belonging to a subset of other Title I schools specifically identified as low-achieving under the State s approved ESEA flexibility request (see the June 7, 2012, ESEA Flexibility document at <http://www.ed.gov/esea/flexibility>).

### Strengths:

The applicant provides good data supporting areas where a large percentage of public schools have been identified for improvement, corrective action or restructuring under Title I. The narrative indicates at least 70% of the loan activity will be in these geographic areas. Pgs. 3-7

In the targeted geographic areas there is a large percentage of students who are not proficient on the state assessments. Pgs. 5 – 7

The geographic areas presented have large populations of students that qualify for free or reduced lunch. Pgs. 5-7

### Weaknesses:

With the exception of the state assessment data provided on Atlanta, GA (pg. 7), there is no information provided on students in grades K – 8. This information would have presented a bigger picture of students to be serviced by this grant proposal.

It would have been helpful if the applicant would have given specific percentage for criteria b and c. To say that they will address area where a “large” percentage of students are not proficient on the state assessments is very subjective. Additionally, it should be stated collectively, not as separate geographic areas, what the average is of students that qualify for free or reduced lunch.

The applicant did not address whether or not the targeted states have ESEA waivers.

**Reader's Score:** 10

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Status: Submitted

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## Technical Review Coversheet

Applicant: Low Income Investment Fund (U354A140003)

Reader #2: \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design</b>		
1. Project design	35	27
<b>Quality of Project Services</b>		
1. Project services	15	11
<b>Adequacy of Resources</b>		
1. Capacity	35	28
<b>Quality of Project Personnel</b>		
1. Project personnel	15	13
<b>Sub Total</b>	100	79
<b>Priority Questions</b>		
<b>Competitive Preference Priorities</b>		
<b>Competitive Preference Priorities</b>		
1. CPP 1	15	10
<b>Sub Total</b>	15	10
<b>Total</b>	115	89

# Technical Review Form

Panel #1 - 2014 CESCOF - 1: 84.354A

Reader #2: \*\*\*\*\*

Applicant: Low Income Investment Fund (U354A140003)

## Questions

### Selection Criteria - Quality of Project Design

**Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers--**

**a) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;**

**b) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**

**c) The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;**

**d) The extent to which the project is likely to produce results that are replicable;**

**e) The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**

**f) The extent to which the proposed activities will leverage private or public sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;**

**g) The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 5202(e)(3) of the Elementary and Secondary Education Act of 1965;**

**h) The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project; and**

**i) The extent to which the proposed project is supported by strong theory (as defined in 34 CFR 77.1(c)).**

#### **Strengths:**

Access to funds and flexibility with funding are the two challenges the applicant identifies as being needed. The CEP funds will allow the applicant to offer funding to new single-site operators and start-up schools managed by non-local Charter Management Organization (page E 25).

The applicant states it will allow members to provide more flexible terms, such as higher loan to value ratios, longer amortization periods than available through conventional sources, varied loan terms and amounts, or non-traditional collateral options (page E 16).

On page E 35, the applicant mentions LTV ratios can be increased from 80% to 90% (and again on page E 40).

The goals are clear. The objectives match the respective goals. Table 1, on page E 29, displays the goals and objective in a timeline, broken out by the number and type of school to be served.

The identified objectives further the purpose of the CE Program. For example, based on its model of a \$12 million CE grant, the applicant intends to extend capital by leveraging \$120 million to 35 charter schools for facilities in 10 different high-need markets.

In order to address replication, the NCSLC will publish its findings on underwriting strategies and the related performance data in year five (page E 32). This will not assure replicability, but it is a useful activity.

In years one through five, 35 schools will be served with \$120 million in funds, to include 15,750 seats, and 17 startups. The balance of the schools are 18 existing charter schools having operated more than five years (page E 29). The applicant provides a projection for years six through ten (page E 30).

Different types of funding (products) are briefly mentioned: construction, mini-perm, leverage loans, a proposed equity fund to Midwest schools, leasehold financing, and subordinated debt (page E 13).

A leverage ratio of 10:1 was identified by the applicant; leveraging \$12 million from the grant to create \$120 million from other sources (page E 34).

On page E 33 the applicant provides a list of criteria by which potential schools will be evaluated, including: financial analysis and controls; repayment and finance risk; depth of experience and track record of the management team and board; school charter and design; the funding environment and local political risk, including the quality of the authorizer; and collateral. These are good factors for analyzing a charter schools ability, not just the need for funding.

On page E 36, the applicant states it reaches schools in the top 10 states ranked by CER in 2013 as having strong charter school laws. It also serves five states in the next quintile (those ranked between 11 through 20).

The applicant's individual members are experienced with the logic model, and have gained knowledge by using it in the market.

**Weaknesses:**

Not all of the terms and rates, or even a range, were detailed in the application. Attachment 4 (page E 1571) displays some of the terms assumed for the NMTC loans, but the terms are not compared to the market's.

New Markets Tax Credits are mentioned in the products, but "NMTC" is a source of funds, not a type. It could be equity and/or debt (page E 13).

The type and exact or average amount of funding to be made to a school is not presented.

No details or even concepts about the leveraged sources were provided (page E 34).

The applicant assumed a \$12 million award. The total amount available to a grantee is \$8 million. The applicant did not explain how the difference would affect the leveraging of additional funds.

There could be a problem with project costs and the requested grant amount. The CECSF Program announced an award cap of \$8 million. The applicant developed a program based on \$12 million. It is not clear if the applicant can cut \$4 million from the program by simply scaling back the leverage (in essence generating \$80 million in other funding sources for the \$8 million credit enhancement). It is not clear if the applicant will reduce the number or size of loans and activities.

The assumptions and pro forma of Attachment 14 are off due to the maximum allowable grant award (page E 1571).

The logic model (Attachment 3) is included as part of pro forma section (Attachment 14). The assumptions for the proposed activities are listed. A problem exists, however, in that the amount requested (\$12 million) exceeds the maximum amount of the grant award (\$8 million).

## Selection Criteria - Quality of Project Services

### 1. Quality of project services. In determining the quality of project services, the Secretary considers

- a) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;
- b) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;
- c) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools access to facilities financing, including the reasonableness of fees and lending terms; and
- d) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.

#### Strengths:

Listed on page E 39, services (products) to be provided include: construction, acquisition, mini-perm, and permanent financing; leasehold financing; subordinate debt; NMTC loans; an equity fund (only for the Midwest); and CDFI Bond Financing.

Although it was not stated in this section, the applicant (each of its members) has ample experience in the financial markets, including the charter school market.

The applicant stated it used email surveys and phone interviews to solicit input from the end users (page E 41). This type of information is useful in the design of the services and products.

The applicant's members will provide technical assistance to prepare borrowers for success and to mitigate risk for lenders. The applicant gave examples of the types of TA each of the consortium's members have previously provided. LIIF helped a school develop operating projections and enrollment scenarios. IFF worked with schools in the authorization review process. TRF provided real estate feasibility and organizational assessments. CIP provided construction due diligence (page E 43).

#### Weaknesses:

The applicant states each member has strong experience with supporting successful start-up schools (page E 39). It should provide a detailed summary backing the claim.

Relative to the service/products identified: two of these services/products are funding sources dependent on the Treasury Department (NMTCs and CDFI Bond Financing).

The 53 letters of support were simply letters of support asking the Department of Education to fund the application. The majority were form letters reiterating the same language.

Although the applicant and its members provide TA, it did not explain how TA will contribute towards reasonable fees and lending terms (page E 43).

The applicant did not summarize how its services and products, including TA, would focus on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program. It provided two examples of projects undertaken by its members which were useful, but did not provide sufficient information (page E 44). A summary of all of the projects each of its members has undertaken would provide better information for this section. It

would be helpful for understanding, but no points will be deducted.

The applicant did not explain how it would address fees and lending terms relative to the market's interest rate fluctuations.

**Reader's Score: 11**

### **Selection Criteria - Adequacy of Resources**

**1. Capacity. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers:**

**a) The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**

**b) The applicant's financial stability;**

**c) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**

**d) The applicant's expertise in education to evaluate the likelihood of success of a charter school;**

**e) The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;**

**f) If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;**

**g) For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and**

**h) For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

**Strengths:**

The applicant (consortium) includes four of the strongest CDFI's in the country. The members, combined, have deployed \$1.4 billion in charter school financing to 604 charter schools across 23 states. Collectively, the group has been awarded \$70 million in CEP funds and administered the associated activities as follows: LIIF with 58 debt issues valued at \$106 million; CIP with 39 activities valued at \$154 million; IFF with 76 activities valued at \$25 million; and TRF with 80 activities valued at \$86 million (page E 45 and Table 2).

Table 2 on page E 46 displays information about each member's track record working with charter schools. It summarizes the year the organization began lending, the dollar amount and number of schools served, the cumulative CEP leverage ratio, the number of students served, and the area of concentration. Each member performed well according to this information.

All four members of the consortium have the highest possible score under CARS (the CDFI Assessment and Rating System), each with an AAA-Policy Plus-1.

All four members of the consortium submitted audited financial statements for the past 3 years. The audits were

performed using accounting principles generally accepted in the U.S. The financials demonstrate financial stability for each member of the consortium.

Table 3 on page E 48 displays important financial health indicators for each member. The historic net loss ratios are very low, all below 1%. The loan loss reserves average 5%, which is standard for the industry.

Each member maintains written policies and procedures for underwriting, loan/product servicing, portfolio management, review criteria for different products and dollar thresholds, and risk management. These policies and procedures are thorough.

Each member has a different capacity level associated with expertise in education to evaluate the likelihood of success of a charter school. IFF has the most experience in-house and utilizes a sound process for reviewing schools. TRF and LIFF use third-party contractors.

Each member organization maintains a Conflict of Interest Policy covering basic requirements.

The applicant's members will perform particular activities associated with the program. Each activity is explained sufficiently.

**Weaknesses:**

Relative to the ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management, one loan of \$2.4 million is doubtful in LIIF's portfolio, representing 4.5% of its portfolio (page E 1677). One loan of \$450,000 is doubtful in CIP's portfolio, representing .3% of its portfolio. Fifteen (15) loans of \$6.65 million are doubtful in IFF's portfolio, representing 16.5% of its portfolio. Zero (0) loans are doubtful for TRF. Three of the four organizations in the consortium maintain a reasonable percentage of loans at risk. One member, IFF, carry's a high proportion of loans at risk.

Relative to expertise in education to evaluate the likelihood of success of a charter school, CIP is not as experienced as the other members (page E 53).

A Conflict of Interest Policy for the consortium would be useful to better outline and unify how the consortium will address conflicts of interest, since each organization has different COI policies. Some member's policies are more thorough than others (Attachment 18—Standards of Conduct, page E 1251).

Each member will underwrite, deploy and manage the consortium's finance products. It appears each member will utilize its own standards, and this may lead to inequity since each member's standards are different. The applicant should review and compare the standards by which funding will be issued. Consider creating unified policies and procedures for lending to assure fairness across all markets and for all applicants, although each member can still maintain some degree of control over final underwriting.

**Reader's Score: 28**

**Selection Criteria - Quality of Project Personnel**

**1. Quality of project personnel. In determining the quality of project personnel, the Secretary considers--**

**a) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**

**b) The staffing plan for the grant project.**

**Strengths:**

The four CEOs of each member organization form the executive leadership, and have considerable experience financing charter schools.

Staff experience includes: foundation work, performing work as a CPA, credit training, directing lending and investments, performing credit officer duties, underwriting, providing technical assistance, managing non-profit finance, fundraising, real estate finance and development, community banking, emerging market advocacy, risk management, strategic management and organization development, financial forecasting, loan reviews, training and coaching, program management, portfolio management, directing charter school operations, acting corporate controller, and developing policy.

Board members have a diverse background in industries that support financing charter schools.

**Weaknesses:**

A very small number of staff has knowledge of the education process as few worked in schools.

Only two board member have direct experience operating charter schools.

Consulting foims were mentioned in the application. The applicant should have provided information about these firms including their roles and credentials to perform the work.

**Reader's Score:** 13

**Priority Questions****Competitive Preference Priorities - Competitive Preference Priorities**

**1. This priority is the capacity of charter schools to offer public school choice in those communities with the greatest need for school choice based on--**

**a) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended.**

**b) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and**

**c) The extent to which the applicant would target services to communities with large proportions of students from low-income families.**

**Note: In order to receive competitive preference points under this priority, applicants serving charter schools in States operating under ESEA Flexibility that have opted to waive the requirement in ESEA section 1116(b) for local educational agencies (LEAs) to identify for improvement, corrective action, or restructuring, as appropriate, their Title I schools that fail to make adequate yearly progress (AYP) for two or more consecutive years should target services to geographic areas in which a large proportion or number of public schools have been identified as priority or focus schools, or belonging to a subset of other Title I schools specifically identified as low-achieving under the State s approved ESEA flexibility request (see the June 7, 2012, ESEA Flexibility document at <http://www.ed.gov/esea/flexibility>).**

**Strengths:**

The applicant will identify high-need areas using a geodatabase which includes: the location of official state-determined priority and focus Title I schools for states that have approved ESEA waivers, or schools identified for Improvement, corrective action, or restructuring under NCLB or AYP; student proficiency on state assessments; and low-income status.



**Weaknesses:**

While the above criteria cover the basic concepts for the Competitive Preference Priority, some of the language is missing to make it exact, therefore missing the full impact. For example, for item b) the phrase "the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments" is different than that stated by the applicant "student proficiency on state assessments." Also, for item c) the phrase "communities with large proportions of students from low-income families" is the specific requirement of third criterion.

The applicant should identify the states with ESEA waivers in which it will administer the program.

It would be helpful if the applicant provided percentages relative to the three criteria above to determine if the goals and objectives match, and to demonstrate the level of ambition in trying to reach communities with the greatest need for choice.

**Reader's Score:**      **10**

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**Status:**                Submitted  
**Last Updated:**      04/15/2014 04:25 PM

Status: Submitted

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## Technical Review Coversheet

Applicant: Low Income Investment Fund (U354A140003)

Reader #4: \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design</b>		
1. Project design	35	29
<b>Quality of Project Services</b>		
1. Project services	15	12
<b>Adequacy of Resources</b>		
1. Capacity	35	29
<b>Quality of Project Personnel</b>		
1. Project personnel	15	13
<b>Sub Total</b>	100	83
<b>Priority Questions</b>		
<b>Competitive Preference Priorities</b>		
<b>Competitive Preference Priorities</b>		
1. CPP 1	15	10
<b>Sub Total</b>	15	10
<b>Total</b>	115	93

# Technical Review Form

Panel #1 - 2014 CESCOF - 1: 84.354A

Reader #4: \*\*\*\*\*

Applicant: Low Income Investment Fund (U354A140003)

## Questions

### Selection Criteria - Quality of Project Design

1. **Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers--**

a) **The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;**

b) **The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**

c) **The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;**

d) **The extent to which the project is likely to produce results that are replicable;**

e) **The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**

f) **The extent to which the proposed activities will leverage private or public sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;**

g) **The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 5202(e)(3) of the Elementary and Secondary Education Act of 1965;**

h) **The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project; and**

i) **The extent to which the proposed project is supported by strong theory (as defined in 34 CFR 77.1(c)).**

### Strengths:

(a) The applicant's members have 15 offices spanning the West, Midwest, Northeast, and Mid Atlantic where they serve some of the most distressed education markets in 31 states. They plan to facilitate enhanced access to capital to charter schools for which financing had previously been unattainable as well as provide enhanced flexibility in lending products, rates and terms to charter schools that don't have the traditional indices of stronger operators. (See page 10). In order to accomplish they plan to offer a convertible senior/subordinate debt structure with NMTC capital.

(b) The applicant presents specific quantitative goals identifying how it will expand access for charter school facility projects over the life of the project. These measures are specific and measurable based upon previous similar capital deployment programs accomplished by the applicant. (See page 13). The applicant offers specific quantifiable measures through which it will accomplish the goal of providing varied loan products with flexible terms such as high loan to value construction, mini-perm, leverage loans and proposed equity funding products.

(c) The project implementation plans and activities based upon the past performance of similar activities by individual members of the consortium appear reasonable and likely to achieve program objectives. The project goals are clear and the project objectives match the goals. (See Table 2, Applicant activity for most recently completed fiscal year, narrative)

- (d) One of the primary outcomes of the consortium will be to develop and refine underwriting strategies for early stage schools and disseminate this information to interested parties. This practice should facilitate the development and adoption of industry underwriting best practices to be shared through industry meetings, gatherings, state and local conferences.
- (e) To ensure the utilization of appropriate criteria for selecting charter schools for assistance the applicant will utilize the proprietary geocoded database that reflects competitive preference measurement criteria. Geocoded database findings will be enhanced by additional underwriting findings. See E-13 .
- (f) The applicant plans to leverage grant dollars at a ratio of 10:1 for the initial five years of the grant program. The applicant further plans to recycle grant funds for years 6-10 and leverage an additional \$75MM in capital. This leverage factor will enable the applicant to engage 8 different capital providers including 4 new entrants. In support of this methodology, the applicant offers 13 letters of financial support from investors. (Letters at attachment A-5, see page 20.)
- (g) To ensure the applicant will target CEP funds to qualified schools in states with strong charter laws, it will utilize the 2013 Center for Education Reform guidance and the National Alliance for Public Charter Schools state rankings. (See page 21, rankings attached at A-10). With its existing operation, the applicant targets each of the top 10 states in the 2013 CER rankings.
- (h) Project costs and prospective deployment timelines are reasonable and achievable in that the track record and experience of the participating CDFI's reflect an ability to underwrite and deploy capital based upon past experience. (See page 21)
- (i) Strong theory model is addressed in a narrative statement.( Attached at A 13)

**Weaknesses:**

Weaknesses:

- (a) Exact terms and rates were not provided and the applicant did not identify the market rate.
- (f) Further details about the source of the leveraged funds would be helpful here.
- (g) None.
- (h) The project goals have to be adjusted because the applicant asked for \$12 mm and they can only receive a maximum of \$8 mm. The goals will have to be scaled down to reflect this decrease in funding.
- (i) This logic model is attached at A3. The model contains no program inputs, outputs or milestones.

**Reader's Score: 29**

**Selection Criteria - Quality of Project Services**

- 1. Quality of project services. In determining the quality of project services, the Secretary considers**
  - a) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
  - b) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
  - c) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools access to facilities financing, including the reasonableness of fees and lending terms; and**
  - d) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

**Strengths:**

- (a) The quality and breadth of the consortium's experience in identifying the financing needs of charter schools is broad. Collectively they have supported schools that educate close to 300,000 students of which over 70% qualify for the federal free lunch program. The proposed loan products are offered with this breadth of need in mind and represent a flexible menu of offerings that will collectively address proposed financing needs at differing levels of charter schools from start up to maturity.
- (b) In the development of the project design, the applicant consulted with and/or solicited input from 30 charter school operators and developers through email surveys and phone interviews. The applicant also references 53 letters of support (A5) from charter schools and other stakeholders.
- (c) The applicant offers a qualitative assessment of what technical assistance it will provide to charter schools as well as specific examples of the types of assistance offered by consortium members in individual cases. ( Page 29)

**Weaknesses:**

- (a)None
- (b) The letters submitted were form letters. More detail about the project timeline is needed.
- (c)None
- (d)The applicant fails to address the charter school financing needs of startups.

**Reader's Score: 12**

**Selection Criteria - Adequacy of Resources**

- 1. Capacity. In determining an applicant s business and organizational capacity to carry out the project, the Secretary considers:**
  - a) The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**
  - b) The applicant s financial stability;**
  - c) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
  - d) The applicant s expertise in education to evaluate the likelihood of success of a charter school;**
  - e) The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;**
  - f) If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;**
  - g) For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and**
  - h) For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

**Strengths:**

- (a) Both individually and in consortium, each applicant has a well-established track record of successfully deploying charter school financing throughout the country. Jointly, the members have deployed \$1.4 B in charter school financing for 604 schools throughout 23 states. (Page E45). The Low Income Investment Fund for example in its 2012-2013 Annual Report references a total of \$77,319,066 in financing directly credit enhanced by the grantee since the inception of its most recent grant project ( Page 1, Performance Report summary sheet) Reviews of individual grantee performance reports from previously awarded credit enhancement grants indicate strong and consistent deployment activity. The LIFF report also references strong collaboration with other grantees through the Charter School Financing Partnership, a bond conduit product that provides charter schools greater access to permanent financing. (Section F, no page reference, LIIF 2012-2013annual report)
- (b) The applicant has great financial strength individually and in consortium. They have a combined \$1.83 B in assets under management, \$772 MM in balance sheet assets and a combined 115 years in operating history . ( Page E47) They have all used a portion of their CEP program funds to participate in JP Morgan/Chase’s national NMTC Fund for charter Schools together providing more than\$168MM in NMTC financing nationwide. LIFF has financed 32 schools using CEP funds in 1998, TRF has financed 42 schools during the same reporting period, IFF has financed 13 schools using CEP funds in 1996 and CIP has financed 38 schools in 1994 using CEP funds. (Page E46).
- (c) A brief review of Table 2 of the application reveals strong net worth with equity to total assets ranging from 30%-50%. Charge offs are minimal across all sectors with charter school loan losses even lower. Individual member balance sheets reflect a diversity of investment sources, including banks, philanthropic groups, religious and government entities. Loan loss reserves have a floor of 5% of assets mitigating any potential negative impact of charge offs.
- (d) Each organization in the consortium has tested and proven skills in evaluating charter school applicants. One applicant, TRF has been underwriting charter schools since 1998. (Page E52). The respective organizations also make judicious use of consultants having specific and proven expertise in underwriting applications of varying size and complexity.
- (e) Written policies are in place to prevent individual and organizational conflicts of interest. (See A-18). Additionally, section A1 references a process through which decisions are made in the case of the discovery of a conflict of interest. See page 1485 One policy for the group would add value but is not necessary.
- (f) The applicant has isolated and specified to specific project roles for each member of the consortium. These roles are grantee performance and management, data collection and analysis, training local and national marketing, and underwriting, deployment and portfolio management.
- (g) This criterion is not applicable.
- (h) Previous award and past grantee performance have all been outstanding by the applicant pool and they have individually achieved performance benchmarks as noted in Pages e56 and e57.

**Weaknesses:**

- (a) These are individually strong organizations however there is no documentations that these organizations will be working together. The applicant should have submitted in depth information on potential consultant partners
- (d) Staff education experience is missing. They plan to rely on outside consultants.
- (e)none
- (f)none
- (g) not applicable
- (none)

**Reader's Score: 29**

**Selection Criteria - Quality of Project Personnel**

**1. Quality of project personnel. In determining the quality of project personnel, the Secretary considers--**

- a) The qualifications of project personnel, including relevant training and experience, of the project**

manager and other members of the project team, including consultants or subcontractors; and

**b) The staffing plan for the grant project.**

**Strengths:**

Strengths:

- (a) A review of project personnel qualifications reveals a well-qualified mix of executive and lending professionals with strong track records in successfully deploying capital to charter schools. The staffing plan calls for a division of responsibilities similar to that proposed in the organizational plan. Executive leadership is extremely well qualified in deploying capital to charter schools with over 100 years of collective experience. Resumes are appended for key members of the project staff.
- (b) The staffing plan is reasonable and appropriate give the project scope and direction.

**Weaknesses:**

- (a) In the event the consortium plans to use consultants, some mention of the firms and their experience and track record would be useful here.

**Reader's Score: 13**

**Priority Questions**

**Competitive Preference Priorities - Competitive Preference Priorities**

**1. This priority is the capacity of charter schools to offer public school choice in those communities with the greatest need for school choice based on--**

- a) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended.**
- b) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and**
- c) The extent to which the applicant would target services to communities with large proportions of students from low-income families.**

**Note: In order to receive competitive preference points under this priority, applicants serving charter schools in States operating under ESEA Flexibility that have opted to waive the requirement in ESEA section 1116(b) for local educational agencies (LEAs) to identify for improvement, corrective action, or restructuring, as appropriate, their Title I schools that fail to make adequate yearly progress (AYP) for two or more consecutive years should target services to geographic areas in which a large proportion or number of public schools have been identified as priority or focus schools, or belonging to a subset of other Title I schools specifically identified as low-achieving under the State s approved ESEA flexibility request (see the June 7, 2012, ESEA Flexibility document at <http://www.ed.gov/esea/flexibility>).**

**Strengths:**

- (a) The applicant has a history of lending to charter schools in low income high need areas in the past. Collectively consortium members have loaned over \$1.4B in these neighborhoods. They propose to target services to these geographic areas with the requested grant funds focusing on low performance districts where a large proportion of public schools have been targeted for improvement . Page 3

- (b) The applicant plans to create a geocoded database, which will include specific Competitive Performance priority criteria including the criteria referenced in this question. Page 4
- (c) Once developed the applicant's geocoded database will be utilized to facilitate a data based tool that will maximize the impact of investments by focusing on areas with high concentrations of low income students in poorly performing schools .

**Weaknesses:**

- (a) State assessment data is provided on Atlanta , GA but K-8 data is missing. No specific quantitative reference regarding amount of students served is included.
- (b) The applicant does not address the issues of ESEA waivers.
- (c) None

**Reader's Score: 10**

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**Status:** Submitted  
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