

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

Status: Submitted

Last Updated: 04/15/2014 12:23 PM

Technical Review Coversheet

Applicant: Community Loan Fund of New Jersey, Inc. (U354A140006)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design		
1. Project design	35	28
Quality of Project Services		
1. Project services	15	12
Adequacy of Resources		
1. Capacity	35	27
Quality of Project Personnel		
1. Project personnel	15	12
Sub Total	100	79
Priority Questions		
Competitive Preference Priorities		
Competitive Preference Priorities		
1. CPP 1	15	9
Sub Total	15	9
Total	115	88

Technical Review Form

Panel #1 - 2014 CESCO - 1: 84.354A

Reader #1: *****

Applicant: Community Loan Fund of New Jersey, Inc. (U354A140006)

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:

The applicant will provide CE to charter schools that are renting or leasing space to incentivize landlords to lower rent and lease costs thereby freeing cash flow for daily operational activities. Pgs. e20

The stated goals and objectives are measurable and clearly align to the purposes of the CE program. These objectives are appropriate to the types of charter schools the applicant has chosen to target – early stage and independent schools. Pg. e20

A working relationship with Public Impact has provided a tool that the applicant will use to help determine how charter schools compare to their district counterparts in several metrics. This tool is part of the project plan to bring national recognition to this model and make the project replicable in any geography. Pg. e19

A set of criteria have been established for the initial selection of charter schools to be assisted. These criteria will ensure the applicant will meet the requirements of the grant by identifying charter schools to be located in areas that have low-

performing schools, high levels of poverty and a large percentage of schools targeted for improvement. Additionally, the applicant will gather information that will determine the best type of assistance for each specific charter school. Pgs. e25 – e26

A leverage ratio of 17.5:1 is anticipated by the applicant for this grant project. The applicant has secured a letter from Goldman Sachs indicating they would be interested in providing \$20 million towards this program. The applicant will also use other state and national banks and private funding to provide funds for the selected charter schools. Pgs. e28 – e29 and e309

The applicant does business in a state that ranks very low (32/40) in the strength of their charter law. The applicant realizes this is not the best scenario but works to help charter schools alleviate some of the negative aspects of the law. When the applicant looks to the national arena for the 10 charter schools proposed to receive assistance through this proposal, they will look to states with strong charter laws. Pgs. e29 – e30

The requested grant amount is reasonable considering the 20 charter schools in the pipeline are early start and independent charter schools. These charter schools have very little track record and do not have the experience or backing of a CMO to draw from, making the finance deals more complicated for the individual operators. Fees incurred by the applicant outside of personnel will be more than covered by the fees charged for service and the interest earned on the reserve account earnings. Pgs. e30 – e31

The logic model is well defined with both intermediate and long term outcomes related to the specific goals outlined in the project. Additionally inputs and activities that relate to the inputs are identified. Pgs. e31 – e32

Weaknesses:

There is no information provided that proves the applicant will assist the charter schools in obtaining better rates and terms relative to the property rental aspect of the application, than they could absent the program.

Outside of stating how many charter schools will be assisted in each year of the grant, the narrative simply states that these activities will occur during the grant period.

There is no timeline presented.

The narrative surrounding replication speaks mainly to the growing business of the applicant relative to this grant project. There is very little discussion about how this model will be replicated by other entities.

Outside of the statement of goals and objectives for the 5 years of the grant and the information on the inputs and outcomes of the Logic Model, there is not an implementation plan provided.

There is very little information given on the non-grant funds that will be provided to this program.

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:

A survey conducted in January 2013 collected information on facilities from 72% of the state's charter schools. This information, along with one on one conversations that the applicant has had with charter school operators on a frequent basis, indicates that the real need is for additional space and renovated space. This is one of the main goals of this project – leasehold improvements. Pgs. e33 – e34 .

Heartfelt letters of support are provided that speak to the assistance given to charter schools and the ease of working with the applicant on past and, hopefully, future projects. Appendix

Technical assistance including direct financial guidance and assistance to charter schools concerning building capacity will be provided to charter schools at no cost. A fee of 1% will be charged for a guarantee, with that being reduced to ½% if the CLFNJ happens to be the lender for the project. Technical assistance related to real estate acquisition and transitions will be provided by a subsidiary branch of the company with no charge passed on to the charter schools. Pgs. e36 – e37

By targeting early stage and independent charter schools located in underserved and underperforming school districts, the applicant will truly be assisting charter schools with the greatest need. Through the vetting process, charter schools that have the greatest potential for success will be identified and walked through this process. Pgs. e38 – e39

Weaknesses:

There is no indication that charter schools or chartering agencies were involved in the design of the project, other than providing feedback about their current facilities and their future needs.

The applicant does not discuss lending terms.

Reader's Score: 12

Selection Criteria - Adequacy of Resources

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 has considerable experience in the state of New Jersey providing facility financing in many sectors and areas of the state. They have 26 years of lending experience and have provided \$300 million for over 700 projects. They have financial experiences with 22 charter schools providing acquisition, pre-development, construction and mini-perm loans. They have also utilized NMTC with 5 charter schools, supporting 6 campuses in these transactions. Pg. e40

The applicant exhibits financial stability given the fact that there are several streams of income and they have \$300 million in assets. The loan loss rate is <1% for 2013. Pgs. e42 – e43

The underwriting process described in the narrative involves several steps and levels of review before the project will meet approval. The process is very hands-on beginning with an in-person meeting with the applicant. Portfolio monitoring is completed by a four-member board on a monthly basis. These processes speak well to the designs that the applicant has put into place to protect the company. Pgs. e42 – e43

The application presents conflict of interest policies for employees and board members alike. Additionally, there are specific guidelines that employees must follow when a conflict of interest occurs. Pg. e46 and Appendix

The applicant will utilize the services of a subsidiary company – CAPC – to assist charter schools with real estate acquisition. All services from risk assessment to lease negotiation and guidance on facility development will be provided by the real estate arm of the company. Additionally, the applicant will work with NeighborWorks America to identify charter schools in other charter friendly states. NeighborWorks America is a large community development network that the applicant has collaborated with in the past. Pgs. e46 – e47

Weaknesses:

There is some concern over the consecutive years of audit findings relative to reporting requirements within government grants. In addition to these findings, on page e228 there is a form requesting an extension of time to file a renewal for Charities Registration. The issue of sensitive reports not being done in a timely fashion is concerning.

The applicant did not provide evidence of any rating by an outside agency relative to its financial stability.

The applicant does not provide a copy of their underwriting, portfolio management or financial management policies and procedures. These items should have been included in addition to the discussion that was provided in the narrative.

While the applicant has significant experience developing finance solutions that are specific to charter school situations, there is not an individual within the organization or on the Board of Directors with any direct experience with charter school operations. As the applicant reaches out to other sectors of the country it would be helpful to have a person with this experience on board.

The applicant should have provided information about NeighborWorks and the agreement with them regarding the

assistance in other markets. Additionally, it would have been helpful if the applicant would have cited specific markets being considered for funding outside of New Jersey and partners that might be utilized within those markets.

While the narrative states the applicant has been a recipient of a previous CE grant that had great results; there is not a copy of the performance report that was submitted to DE to back up that information.

Reader's Score: 27

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:

Project personnel have more than sufficient experience and expertise to perform the tasks indicated in the grant proposal. Additionally, the representative from CAPC, the real estate subsidiary, has ample experience working with charter schools and other nonprofit groups assisting in their real estate projects. Pgs. e49 – e50

The project manager has worked with charter schools since 2006 during employment with the applicant managing all aspect of charter school lending. He is well qualified to lead this project. Pgs. e51 – e52

Weaknesses:

The applicant did not discuss qualifications of other staff members that will be involved in this project.

While the applicant has significant experience financing charter schools there is a definite lack of educational experience in the organization.

Reader's Score: 12

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:

New Jersey Department of Education as outlined in their approved ESEA flexibility request classifies low performing schools as priority – the lowest performing 5% of schools – and focus – 10% of schools with the overall lowest subgroup performance, a graduation rate below 75%, and the widest gap in achievement between subgroups. The applicant will focus their work in four major metropolitan areas of the state that have anywhere from 39% to 78% of public schools being either priority or focus schools. Pgs. e53 – e54

Performance rates for the state exams are advanced proficiency, proficiency and partially proficient. The percentage of high school students from the targeted areas that scored partially proficient on the state mathematics exam was 80% and 19.5% of the high school students scored partially proficient on the language arts exam. The statewide average of students scoring partially proficient language arts is 8.4% and math is 20.4%. This is a significant difference and provides justification for the proposal to target these areas.

Data indicates that targeted areas have significant rates of poverty and median household incomes well below the state average. Charter schools in these areas have at least 68% of their students that qualify for free or reduced lunch. pg. e55

Weaknesses:

The applicant has only presented state assessment data for students in the 11th grade. If the applicant is planning to work with all levels of charter schools, data should have been presented for the entire range of students for which it is available. This information would further justify the need for charter schools in all grade levels, not just high school.

In order to understand the true picture of students that qualify for free or reduced lunch, the applicant should provide data from the state level, not just the targeted areas.

This application states it will also work in states outside of New Jersey that have strong charter laws. Some demographic information should have been provided on possible states to demonstrate their needs relative to this priority.

Reader's Score: 9

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Technical Review Coversheet

Applicant: Community Loan Fund of New Jersey, Inc. (U354A140006)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design		
1. Project design	35	27
Quality of Project Services		
1. Project services	15	12
Adequacy of Resources		
1. Capacity	35	27
Quality of Project Personnel		
1. Project personnel	15	11
Sub Total	100	77
Priority Questions		
Competitive Preference Priorities		
Competitive Preference Priorities		
1. CPP 1	15	11
Sub Total	15	11
Total	115	88

Technical Review Form

Panel #1 - 2014 CESCOF - 1: 84.354A

Reader #2: *****

Applicant: Community Loan Fund of New Jersey, Inc. (U354A140006)

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 project's goals and objectives listed on page E 18 are clearly specified, measurable, and appropriate for the purpose of the program (provide \$12.5 million in loan or lease guarantees, use guarantees to leverage \$140 million in private sector financing, create new charter school seats for 6,000 students, and reduce the rent payments for charter schools by \$1 per square foot—page E 20). See the related weakness below identifying the items which were not clearly specified or measurable.

A simple implementation plan is presented on page E 62—NJCC Credit Enhancement Intake Workflow, although NJCC is not CLFNJ. The applicant should have explained the connection between the NJCC Credit Enhancement Intake Workflow and itself (CLFNJ).

The applicant lists the criteria for making loans and lease guarantees, along with its terms (page E 27).

The applicant has a history from leveraging a CE grant of \$8.15 million to \$179.5 million, through 43 credit enhancements

(ratio 22:1). Its goal for the \$8 million request is to leverage \$140 million, to 40 schools (ratio 17.5:1). Page E 28.

Based on the applicant's past experience, and based on its proposed use of funds to leverage additional funds, the requested grant amount is reasonable in relation to the significance of the project.

The applicant provides a solid Logic Model with measurable inputs, activities, outputs, intermediate outcomes with indicators, and end outcomes.

Weaknesses:

The applicant did not discuss its terms or rates, or provide the market's terms or rates for comparison (page E 18).

Relative to the project's goals and objectives, the items which were not clearly specified or measurable are: the definition of "improving facilities" relative to each of the 40 schools; and, identifying the types of private financing from banks and insurance companies (pages E 18 – E 20).

The project's implementation plan is not clear. The applicant discusses its goals and objectives, but no logical steps are presented to demonstrate how the loans or guarantees are to be issued. The applicant did successfully deploy funds to 21 different charter schools in New Jersey and Washington, D.C. since 2006. It would have been helpful if the applicant explained how it did so.

The applicant originally used schools in New Jersey to make its case for the Competitive Preference Priority. In other narrative sections, it jumps back and forth between New Jersey and other states as being the target states for its products. On page E 24 it states that on a national level it will target states with the environment to foster replication. Although it has successfully made loans and guarantees since its CE award in 2006, it did not make a case for producing replicable results. It should have discussed replicable results stemming from its past activities by applying the assessment tool provided by Public Impact that tracks proficiency rates, graduation rates, and other metrics.

The applicant is not meeting its earlier stated Competitive Preference Priority targets in that it will serve either schools enrolling students eligible for the FRL program (and it does not give a percentage), or schools serving in a district identified for improvement, corrective action, or restructuring. Additionally, targeted schools must have students that perform comparably to or better than their traditional school peers. Again this does not match the applicant's Competitive Preference Priority targets (page E 12). Taken together, the applicant does not target schools with higher risk making them unlikely to obtain financing, which is one of the goals of the CE program.

While the applicant lists the criteria for making loans and lease guarantees, it is not clear if the type and amount of assistance to be given is appropriate from the information provided.

New Jersey ranks 24th out of the 50 states and the District of Columbia by CER's 2013 charter school law rankings and scorecard. By NAPCS standards, New Jersey ranks 32nd out of 43 ranked states. The applicant states New Jersey is a state with outdated laws (page E 30). It then identifies other states which it may target which maintain better charter school laws and present the likelihood of replicable results. This information undermines the applicant's previous statement about replicability since it is jumping from the four-city original target to numerous other states.

The applicant mentions a pipeline of 20 early-stage and independent charter schools (page E 30). It would have been useful to see the pipeline to better understand the actual targeted schools with each school's goals and objectives. No points will be deducted for this.

It would have been helpful if the applicant provided a narrative on Non-Grant Funds Projected to be generated, as most of these appear to be a fee, although not paid out of the CE grant.

To strengthen the application, the applicant should have included a timeline of activities in the Logic Model (page E 61).

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:

The applicant understands the need for charter schools is access to capital for facilities.

Most of the letters of support explain the applicant's past experience serving the needs of the schools. A suggestion, the applicant could have strengthened the "involvement of schools in design" section if it had referenced these letters, or a summary of them, in the narrative.

The applicant offers no-cost technical assistance to charter schools to which it provides loans or guarantees.

Together, CLFNJ and CAPC will provide TA relative to: managing the financial component of facility improvement or construction and operation; identifying leverage resources and investors; and construction related items such as feasibility studies, negotiations, and environmental surveys (page E 37).

From page E 38, the applicant provides a list of criteria for selecting charter schools: financial strength, administration capabilities, a waiting list, community representation on the board, project feasibility, and academic performance compared traditional public peer schools. Each would assist charter schools with a likelihood of success.

Weaknesses:

The applicant references a study on page E 33 on schools in New Jersey to make a case for providing services to charter schools; however, this study only explains the needs for the schools in New Jersey (75% of the grant). The applicant did not provide information about the services to be provided with the balance of the grant (25%) to be used on 10 schools in other states.

The applicant did not demonstrate sufficient charter school and chartering agency involvement in design and support.

The applicant intends to use its non-profit real estate subsidiary (CAPC) to provide additional technical assistance; however CAPC charges a fee.

The applicant does not address lending terms.

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 has experience with the CE Program, having leveraged an \$8.15 million grant with \$151.4 million through 42 loans and leases.

The financial statements for the period ending September 30, 2011 and 2012 were unqualified (in opinion) by the auditor.

The applicant is financially stable.

The risk management methods as explained in the narrative are logical and thorough.

Table 4—Risk level of Charter Schools Served identified that 21 charter schools were served, with six of those being early-stage schools and 19 being independent of Charter Management Corporations (page E 305).

NeighborWorks was identified as another partner to assist the applicant with schools outside New Jersey.

Weaknesses:

Attachment 30/Appendix M—Charter School Experience is a general marketing document, and some of the numbers do not match the narrative. A summary of the schools served by type and amount of assistance would have been useful to fully understand the applicant's experience.

The applicant did not provide its CARS rating.

On page E 280 of the 2011 audit, the auditor states that the applicant did not comply with certain elements of OMB Circular A-133 relative to reporting requirements. This could have a direct and material effect on the CLFNJ. The item was a deficiency for the CE Program.

The applicant explains its underwriting process in the narrative section as a summary. Written Policies and Procedures were not provided, which would provide insight into the detail of each activity for underwriting, managing risk, managing the portfolio, financial management, and protecting against risk against fraud.

Relative to expertise in education to evaluate the likelihood of success, the applicant focused on financial and production facts. No information was provided about its experience in education.

The applicant provided a brief narrative about Conflicts of Interest, and how they are addressed. No Conflict of Interest Policy (or the CLFNJ's Manual of Personnel Policies—page E 46) were submitted to provide the detail necessary to assess this factor. A Conflict of Interest item is referenced in the by-laws (page E 168), but employees and others outside the Board are not addressed.

A thorough Annual Performance Report was presented on page E 309; however, now narrative was provided to explain the information in the spreadsheet. It is unclear if the proficiency levels represent students currently, or when the loan or guarantee was made.

Reader's Score: 27

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:

Staff will design, implement, and monitor the charter school credit enhancement program. Staff skills include: outreach and business development, underwriting, deployment, reporting providing financial TA, managing assets, strategic planning, budgeting, monitoring portfolio performance, and construction related activities. These skills are appropriate for the project.

Eight (8) staff members were identified with specific responsibilities for managing the grant and implementing the program (page E 52).

Weaknesses:

No staff members were identified as having a background in education.

The applicant should provide more information about the parties to assist outside the state of New Jersey.

A simple list of the Board was provided, but no information was included about the member's experience and responsibilities (page E 172). Also, the fact sheet states there are 11 board members, but the list only identifies 10.

Reader's Score: 11

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:

Reviewing the information presented by the applicant, it appears the students in the four-city area meet the criteria for the competitive preference priority.

The applicant identifies three target areas: the first is four cities (Newark, Jersey City, Trenton, and Camden); the second is other areas in New Jersey; the third is friendly charter markets outside NJ (page E 1). The criteria for the 30 schools in New Jersey were addressed .

Weaknesses:

The applicant did not provide information about the number of schools to be targeted in each of the cities, if any, relative to the use of CE funds.

The 10 schools to be targeted and served outside New Jersey were not discussed (page E 1).

The applicant did not identify if there are one or more school districts in the four-city model.

Reader's Score: 11

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Technical Review Coversheet

Applicant: Community Loan Fund of New Jersey, Inc. (U354A140006)

Reader #4: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design		
1. Project design	35	27
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Adequacy of Resources		
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Sub Total	100	77
Priority Questions		
Competitive Preference Priorities		
Competitive Preference Priorities		
1. CPP 1	15	11
Sub Total	15	11
Total	115	88

Technical Review Form

Panel #1 - 2014 CESCO - 1: 84.354A

Reader #4: *****

Applicant: Community Loan Fund of New Jersey, Inc. (U354A140006)

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:

Strengths:

(a) Through the use of the applicant's guarantee the charter school cost of funds will be reduced based on the risk offset offered by the credit enhancement. See Page 4

(b) The project objectives are clear, measurable and appropriate given the applicant's wide and varied experience in delivering similar program results. The applicant plans to use the CEP to decrease facility expenses and better position charter schools to meet their mission and improve their long term outcomes. Additionally, by using CEP funds to foster the creation and expansion of facilities, the applicant will increase the total number of charter school seats in underserved areas in NJ enabling more disadvantaged students to access a high quality education.

(c) The applicant's project implementation plans are referenced on Page 7 of the application. They are clear, specific and measurable and likely to further program purposes.

(d) The applicant has a 10 year history of financing and credit enhancing charter schools. They propose to utilize the same model it successfully utilized with in a previous CEP grant. This strategy is therefore likely to produce results that are replicable in NJ.

- (e) The applicant plans to utilize prescreening criteria in order to determine (a) whether or not to provide assistance and (b) the amount and/or percentage of the loan/lease to guarantee. The underwriting and intake assessment selection criteria is clear, consistent and objective. See pages 12-13 The applicant also plans to utilize tiered underwriting and intake criteria to determine the amount and type of assistance.
- (f) The applicant plans to leverage at least \$140 mm in private capital with the requested grant funds resulting in a leverage ratio of 17.5:1. Its prior CEP grant award resulted in the applicant leveraging \$179.5 million with a final ratio of 22:1. See page 15
- (g) The applicant plans to primarily serve charter schools in NJ, a state with highly unfavorable charter school laws.
- (h) Given the applicant's substantial experience in this specific program area, as well as their past performance, their project costs are reasonable in relationship to their objectives and outcome measures.
- (i) The applicant's logic model is appended on page e61. Intermediate and final outcomes are reasonable in comparison to proposed inputs and activities.

Weaknesses:

Weaknesses:

- (a) The applicant does not provide rates and terms of its own nor market rates for comparison.
- (b) The application does not include specific timelines, milestones and the number of schools to be served.
- (c) The applicant does not provide any supporting documentation on how it plans to reduce the rent payments to charter schools by approximately \$1 per square foot. See E61,62.
- (d) It is less clear that this model will be replicable nationally as that assertion does not take into account the political support and goodwill enjoyed by the applicant in New Jersey. See pages 8-9
- (i) No timeline is included in the logic model.

Reader's Score: 27

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:

Strengths:

- (a) The applicant plans to provide \$12.5 million in loan or lease guarantees to 25 high performing charter schools in Newark, Jersey City, Camden, and Trenton, all of which are Title 1 communities, as well as 5 high performing charter

schools in other underperforming school districts and 10 high performing schools in other underperforming school districts outside NJ. These loan/lease guarantees will allow these schools to expand, repair existing facilities, and leverage new funding sources from other interested stakeholders. Page8-9

(b)The applicant reached out to 72% of area charter schools and they provided project input. Going forward, (post award) the applicant plans to develop and implement a feedback loop into all of its loans and guarantees that will provide an opportunity for annual program feedback.

(c)The applicant proposes to provide no cost real estate related technical assistance to grant assistance recipients. They will impose a fee of 1% of their guarantee which will be reduced to .50 in the event the applicant is also the lender. These fees are reasonable. See Page 24. e36-37

(d) The applicant has a demonstrated history of providing similar successful program service. Additionally, they have a pipeline of 40 early stage charter and independent schools that are in need of the proposed assistance. They plan to underwrite and analyze each proposed recipient to ensure they are targeting schools with the best opportunity for success.

Weaknesses:

(b) The outreach program was not provided in the application.

(c) The applicant does not address lending terms.

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:

Strengths:

- (a) The applicant's experience in administering a similar grant in 2006 to guarantee 42 loans and leases for 22 charter schools is instructive here. They successfully guaranteed facility loans totaling \$58.6 million and leveraged \$151.4 million in total financing. Given this track record they should have little problem meeting the goals and objectives of this project.
- (b) A review of the applicant's audited financial statements appended to the application beginning at page e 328 reveal no significant or material weaknesses and are fully compliant with GAAP.
- (c) The applicant's risk management/internal control measures appear to be sound. (See page 28-30) It has one year's worth of operating expenses in cash and cash equivalents strengthening its operating liquidity and self-sufficiency ratio to 67%.
- (e) The applicant has written policies in place addressing the prevention of conflicts of interest. See E168
- (f) The applicant identifies potential partners who will participate in their service delivery model, such as Neighborworks.

- (h) The applicant refers to its previous performance in successfully executing its 2006 CEP grant. The information required is provided.

Weaknesses:

Weaknesses:

- (b) The summary of the auditor's results appended to the application at page e282 (page43) notes the appearance of significant weaknesses in relationship to the previous CEP award. This failure to timely submit Federal audit clearinghouse fund was addressed by management.

- (c) It should be noted however that loan loss reserves are almost 14% of all outstanding loans receivable. According to the applicant this is a result of small business disaster recovery lending after Hurricane Sandy. If any of these funds are reimbursable by the state for Hurricane Sandy related funding which has not been distributed this should be noted. If not, this is an issue. See page E28
- (d) More information about their education related expertise would be useful here. They seem to lack experience in education matters on staff to assist in evaluating the success of charter schools. . If they rely on outside consultants to augment this knowledge it should also be noted here.

- (f) The applicant notes parenthetically what role potential partners will play if the grant is received but no memorandum of agreement/responsibility between partners is noted. Additional information on the specific responsibilities of partners would be helpful .

Reader's Score: 27

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:

(a) The applicant's real estate project development/lending personnel have strong facilities financing qualifications. Project team lead responsibilities will be assumed by Joseph Palazzo whose resume is included at page e320.

(b) The staffing plan appears to be sound and reasonable.

Weaknesses:

(a) No educators /educational specialists are included on the project team.

Reader's Score: 11

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 is targeting charter school loans and technical assistance in 4 cities that have a significant percentage of low performance schools according to the Title 1 program criteria.

(b) A review of the New Jersey target market locations of Newark, Camden, Trenton and Jersey City reveals significant deficiencies in student performance mathematics and language arts literacy. This underperformance demonstrates the need for targeting charter school educational options in these cities.

(c) NJ state median household income is \$71,637. Median household incomes in the targeted cities are significantly lower as the applicant notes.

Weaknesses:

(a) The applicant also states it will address the financing, lease guarantee and technical assistance needs of 10 charter schools outside of NJ but does not include additional criteria about this market subset.

(b) Full state assessment data is not included.

(c) The application would be improved by articulating a specific low income threshold measure by which this targeted assistance can be more effectively evaluated.

Reader's Score: 11

Status: Submitted

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