

U.S. Department of Education
Washington, D.C. 20202-5335



APPLICATION FOR GRANTS
UNDER THE

Credit Enhancement for Charter School Facilities Program (84.354A)

CFDA # 84.354A

PR/Award # U354A140009

Grants.gov Tracking#: GRANT11595786

OMB No. , Expiration Date:

Closing Date: Mar 03, 2014

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This application was generated using the PDF functionality. The PDF functionality automatically numbers the pages in this application. Some pages/sections of this application may contain 2 sets of page numbers, one set created by the applicant and the other set created by e-Application's PDF functionality. Page numbers created by the e-Application PDF functionality will be preceded by the letter e (for example, e1, e2, e3, etc.).

There were problems converting one or more of the attachments. These are: [1235-Final Attachments 3.2014.pdf](#)

Application for Federal Assistance SF-424

* 1. Type of Submission: <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application	* 2. Type of Application: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision	* If Revision, select appropriate letter(s): <input type="text"/> * Other (Specify): <input type="text"/>
--	--	--

* 3. Date Received: <input type="text" value="03/03/2014"/>	4. Applicant Identifier: <input type="text"/>
--	--

5a. Federal Entity Identifier: <input type="text"/>	5b. Federal Award Identifier: <input type="text"/>
--	---

State Use Only:

6. Date Received by State: <input type="text"/>	7. State Application Identifier: <input type="text"/>
---	---

8. APPLICANT INFORMATION:

* a. Legal Name:

* b. Employer/Taxpayer Identification Number (EIN/TIN): <input type="text" value="52-2063496"/>	* c. Organizational DUNS: <input type="text" value="0303492080000"/>
--	---

d. Address:

* Street1:	<input type="text" value="6731 Columbia Gateway Drive"/>
Street2:	<input type="text" value="Suite 220"/>
* City:	<input type="text" value="Columbia"/>
County/Parish:	<input type="text"/>
* State:	<input type="text" value="MD: Maryland"/>
Province:	<input type="text"/>
* Country:	<input type="text" value="USA: UNITED STATES"/>
* Zip / Postal Code:	<input type="text" value="21046-2165"/>

e. Organizational Unit:

Department Name: <input type="text"/>	Division Name: <input type="text"/>
--	--

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: <input type="text"/>	* First Name: <input type="text" value="Michelle"/>
Middle Name: <input type="text"/>	
* Last Name: <input type="text" value="Liberati"/>	
Suffix: <input type="text"/>	
Title: <input type="text" value="Executive Vice President"/>	

Organizational Affiliation:

* Telephone Number: <input type="text" value="443-561-1280"/>	Fax Number: <input type="text" value="443-561-1281"/>
---	---

* Email:

Application for Federal Assistance SF-424

*** 9. Type of Applicant 1: Select Applicant Type:**

M: Nonprofit with 501C3 IRS Status (Other than Institution of Higher Education)

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

* Other (specify):

*** 10. Name of Federal Agency:**

U.S. Department of Education

11. Catalog of Federal Domestic Assistance Number:

84.354

CFDA Title:

Credit Enhancement for Charter School Facilities

*** 12. Funding Opportunity Number:**

ED-GRANTS-011514-001

* Title:

Office of Innovation and Improvement (OII):Credit Enhancement for Charter School Facilities
Program CFDA Number 84.354A

13. Competition Identification Number:

84-354A2014-1

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Add Attachment

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*** 15. Descriptive Title of Applicant's Project:**

High Needs Loan Fund to finance senior, subordinate or leasehold improvements for facilities projects for primarily new or rural charter schools.

Attach supporting documents as specified in agency instructions.

Add Attachments

Delete Attachments

View Attachments

Application for Federal Assistance SF-424

16. Congressional Districts Of:

* a. Applicant

* b. Program/Project

Attach an additional list of Program/Project Congressional Districts if needed.

Add Attachment

Delete Attachment

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17. Proposed Project:

* a. Start Date:

* b. End Date:

18. Estimated Funding (\$):

* a. Federal	<input type="text" value="5,000,000.00"/>
* b. Applicant	<input type="text" value="0.00"/>
* c. State	<input type="text" value="0.00"/>
* d. Local	<input type="text" value="0.00"/>
* e. Other	<input type="text" value="0.00"/>
* f. Program Income	<input type="text" value="0.00"/>
* g. TOTAL	<input type="text" value="5,000,000.00"/>

*** 19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- a. This application was made available to the State under the Executive Order 12372 Process for review on .
- b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- c. Program is not covered by E.O. 12372.

*** 20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.)**

Yes No

If "Yes", provide explanation and attach

Add Attachment

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View Attachment

21. *By signing this application, I certify (1) to the statements contained in the list of certifications and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)**

** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

Authorized Representative:

Prefix: * First Name:
Middle Name:
* Last Name:
Suffix:

* Title:

* Telephone Number: Fax Number:

* Email:

* Signature of Authorized Representative: * Date Signed:

ASSURANCES - NON-CONSTRUCTION PROGRAMS

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0040), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the awarding agency. Further, certain Federal awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
4. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
5. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
6. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee- 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.
7. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
8. Will comply, as applicable, with provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.

9. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333), regarding labor standards for federally-assisted construction subagreements.
10. Will comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
11. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
13. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq.).
14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.
15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. §§2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.
16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
17. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."
18. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.
19. Will comply with the requirements of Section 106(g) of the Trafficking Victims Protection Act (TVPA) of 2000, as amended (22 U.S.C. 7104) which prohibits grant award recipients or a sub-recipient from (1) Engaging in severe forms of trafficking in persons during the period of time that the award is in effect (2) Procuring a commercial sex act during the period of time that the award is in effect or (3) Using forced labor in the performance of the award or subawards under the award.

<p>SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL</p> <p>Michelle Liberati</p>	<p>TITLE</p> <p>Executive Vice President</p>
<p>APPLICANT ORGANIZATION</p> <p>Charter Schools Development Corporation</p>	<p>DATE SUBMITTED</p> <p>03/03/2014</p>

Standard Form 424B (Rev. 7-97) Back

DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C.1352

Approved by OMB
0348-0046

1. * Type of Federal Action: <input type="checkbox"/> a. contract <input checked="" type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance	2. * Status of Federal Action: <input type="checkbox"/> a. bid/offer/application <input checked="" type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award	3. * Report Type: <input checked="" type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change
4. Name and Address of Reporting Entity: <input checked="" type="checkbox"/> Prime <input type="checkbox"/> SubAwardee * Name: Charter Schools Development Corporation * Street 1: 6731 Columbia Gateway Drive Street 2: Suite 220 * City: Columbia State: MD: Maryland Zip: 21046 Congressional District, if known: _____		
5. If Reporting Entity in No.4 is Subawardee, Enter Name and Address of Prime: 		
6. * Federal Department/Agency: U.S. Department of Education	7. * Federal Program Name/Description: Credit Enhancement for Charter School Facilities CFDA Number, if applicable: 84.354	
8. Federal Action Number, if known: _____	9. Award Amount, if known: \$ _____	
10. a. Name and Address of Lobbying Registrant: Prefix _____ * First Name N/A Middle Name _____ * Last Name N/A Suffix _____ * Street 1 _____ Street 2 _____ * City _____ State _____ Zip _____		
b. Individual Performing Services (including address if different from No. 10a) Prefix _____ * First Name N/A Middle Name _____ * Last Name N/A Suffix _____ * Street 1 _____ Street 2 _____ * City _____ State _____ Zip _____		
11. Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when the transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be reported to the Congress semi-annually and will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure. * Signature: Michelle Liberati * Name: Prefix _____ * First Name Michelle Middle Name _____ * Last Name Liberati Suffix _____ Title: Executive Vice President Telephone No.: _____ Date: 03/03/2014		
Federal Use Only:		Authorized for Local Reproduction Standard Form - LLL (Rev. 7-97)

PR/Award # U354A140009

NOTICE TO ALL APPLICANTS

The purpose of this enclosure is to inform you about a new provision in the Department of Education's General Education Provisions Act (GEPA) that applies to applicants for new grant awards under Department programs. This provision is Section 427 of GEPA, enacted as part of the Improving America's Schools Act of 1994 (Public Law (P.L.) 103-382).

To Whom Does This Provision Apply?

Section 427 of GEPA affects applicants for new grant awards under this program. **ALL APPLICANTS FOR NEW AWARDS MUST INCLUDE INFORMATION IN THEIR APPLICATIONS TO ADDRESS THIS NEW PROVISION IN ORDER TO RECEIVE FUNDING UNDER THIS PROGRAM.**

(If this program is a State-formula grant program, a State needs to provide this description only for projects or activities that it carries out with funds reserved for State-level uses. In addition, local school districts or other eligible applicants that apply to the State for funding need to provide this description in their applications to the State for funding. The State would be responsible for ensuring that the school district or other local entity has submitted a sufficient section 427 statement as described below.)

What Does This Provision Require?

Section 427 requires each applicant for funds (other than an individual person) to include in its application a description of the steps the applicant proposes to take to ensure equitable access to, and participation in, its Federally-assisted program for students, teachers, and other program beneficiaries with special needs. This provision allows applicants discretion in developing the required description. The statute highlights six types of barriers that can impede equitable access or participation: gender, race, national origin, color, disability, or age. Based on local circumstances, you should determine whether these or other barriers may prevent your students, teachers, etc. from such access or participation in, the Federally-funded project or activity. The description in your application of steps to be taken to overcome these barriers need not be lengthy; you may provide a clear and succinct

description of how you plan to address those barriers that are applicable to your circumstances. In addition, the information may be provided in a single narrative, or, if appropriate, may be discussed in connection with related topics in the application.

Section 427 is not intended to duplicate the requirements of civil rights statutes, but rather to ensure that, in designing their projects, applicants for Federal funds address equity concerns that may affect the ability of certain potential beneficiaries to fully participate in the project and to achieve to high standards. Consistent with program requirements and its approved application, an applicant may use the Federal funds awarded to it to eliminate barriers it identifies.

What are Examples of How an Applicant Might Satisfy the Requirement of This Provision?

The following examples may help illustrate how an applicant may comply with Section 427.

(1) An applicant that proposes to carry out an adult literacy project serving, among others, adults with limited English proficiency, might describe in its application how it intends to distribute a brochure about the proposed project to such potential participants in their native language.

(2) An applicant that proposes to develop instructional materials for classroom use might describe how it will make the materials available on audio tape or in braille for students who are blind.

(3) An applicant that proposes to carry out a model science program for secondary students and is concerned that girls may be less likely than boys to enroll in the course, might indicate how it intends to conduct "outreach" efforts to girls, to encourage their enrollment.

We recognize that many applicants may already be implementing effective steps to ensure equity of access and participation in their grant programs, and we appreciate your cooperation in responding to the requirements of this provision.

Estimated Burden Statement for GEPA Requirements

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain or retain benefit (Public Law 103-382). Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Education, 400 Maryland Ave., SW, Washington, DC 20210-4537 or email ICDocketMgr@ed.gov and reference the OMB Control Number 1894-0005.

Optional - You may attach 1 file to this page.

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CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

* APPLICANT'S ORGANIZATION <input style="width: 90%;" type="text" value="Charter Schools Development Corporation"/>	
* PRINTED NAME AND TITLE OF AUTHORIZED REPRESENTATIVE	
Prefix: <input style="width: 100px;" type="text"/>	* First Name: <input style="width: 250px;" type="text" value="Michelle"/> Middle Name: <input style="width: 180px;" type="text"/>
* Last Name: <input style="width: 420px;" type="text" value="Liberati"/>	Suffix: <input style="width: 100px;" type="text"/>
* Title: <input style="width: 320px;" type="text" value="Executive Vice President"/>	
* SIGNATURE: <input style="width: 350px;" type="text" value="Michelle Liberati"/>	* DATE: <input style="width: 160px;" type="text" value="03/03/2014"/>

Project Narrative File(s)

* **Mandatory Project Narrative File Filename:**

[Add Mandatory Project Narrative File](#)

[Delete Mandatory Project Narrative File](#)

[View Mandatory Project Narrative File](#)

To add more Project Narrative File attachments, please use the attachment buttons below.

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**Charter Schools Development Corporation
Credit Enhancement for Charter School Facilities Program
Grant Application**

“HIGH NEEDS LOAN PROGRAM”

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Competitive Preference Priority

(1) 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, as amended (ESEA);

In 2010, CSDC was certified as a Community Development Financial Institution (CDFI), and specifically a Community Development Loan Fund, with a primary mission of providing financial services and technical assistance to the most underserved charter schools nationwide - those with significant low-income student populations in economically distressed communities, or in communities with a large number of poorly performing district schools - with an added organizational priority of supporting new and early-stage schools (those in their first three years of operation). CSDC's Board approved mission directly correlates to all three of the Competitive Preference Priority categories as follows: CSDC promotes community development nationally by targeting and providing financing to 1) public charter schools enrolling and serving a majority of students eligible for federally subsidized free or reduced price lunches under the Federal Free and Reduced School Lunch Program; 2) public charter schools located in economically distressed census tracts; and/or, 3) public charter schools located in communities with a large number of poor performing district schools.

CSDC does not limit its geographic coverage, but it does have strong relationships in certain states with a large proportion of schools identified for restructuring. In the Analyses of the State School Improvement Grants, the U.S. Department of Education identified the top ten states with the highest number of eligible schools for School Improvement Grants (SIGs). SIG grants are given to the nation's persistently lowest-achieving schools to support school turnaround strategies. CSDC has assisted schools in five of the top ten states and will continue to focus on these states where it has an understanding of the local market.

Similarly, its partnership with Building Hope under this application adds a focus on two

locations: Washington D.C. and Florida. Approximately 90% of Building Hope’s current portfolio is invested in these two geographies alone. Washington, DC has the highest percentage of schools eligible for SIGs – a painful realization that 60% of the schools in the nation’s capital are eligible for these improvement grants, well above any other state and four times the national average. According to an analysis of Education Sector’s “A Portrait of School Improvement Grantees,” Florida has the second highest number of schools receiving school improvement grants (48 schools out of 569 nationwide – number one is California with 70 schools, and where Building Hope also has a number of clients).

The Education Sector report continues with a discussion of rural schools: “A substantial proportion of schools are in rural (18 percent)... The SIG program signals a shift toward prioritizing high-poverty rural schools. Typically, rural schools receive fewer Title I dollars than their urban counterparts because funding formulas favor wealthier states with larger urban districts. While urban schools have greater access to programs like private foundation grants and urban-specific programs, rural schools, often located in the poorest school districts, lack the capacity and resources to tackle expensive large-scale school reform.” If successful, 50% of the charter schools served by this new loan fund will be rural school. As a result, this credit enhancement grant will provide an important supplement to the federal programs which are notably limited in their effectiveness in rural communities.

(2) 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

CSDC will continue to focus on geographic areas in which many students perform below proficient on reading and math assessments. CSDC made a concerted effort to expand its reach to the neediest schools by forming a partnership with Building Hope in this application. Of the 59 schools in the current combined portfolio for CSDC and BH, 26 (or 45%) are located in the bottom third of states for 8th grade proficiency rates in either math or

reading according to the most recent U.S. Department of Education “Education Dashboard.” Similarly, three of the four states with the largest concentrations of current portfolio schools are in the bottom third of the country (the District of Columbia, Florida, and Arizona). CSDC and BH, consistent with their CDFI missions, are currently serving a disproportionate number of schools in geographies with low proficiency ratings and will continue to target these states as part of this application.

BH’s portfolio is heavily concentrated in geographies with poor academic performance. BH’s primary market is the District of Columbia, the state in last place by a wide margin for both math and reading at the 8th grade level. The other significant state in BH’s portfolio is Florida, which is also in the bottom third of the country for 8th grade math proficiency levels.

The focus on rural education will also target students performing below proficient. While there is surprisingly limited research on rural education performance overall, one of the most cited scholarly articles on this topic is from The American Journal of Economics and Sociology by Borland and Howson (vol 58. no 3. Jul 1999). They state, “There is a considerable body of literature (Broomhall and Johnson, 1994; Broomhall, 1993; DeYoung, 1985) that concludes that rural students perform less well than urban students on standardized tests of educational achievement.” The focus on rural students is another strategy to target students performing below proficient on State academic assessments.

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

The primary goal of this application is to target schools serving a low income target population nationwide. As stated in Goal #2 of the application, at least 70% of the schools financed through this grant will meet criteria including having a majority of low-income students.

Historically, 78% of the schools served by CSDC’s CDFI programs have a majority

of low-income students, consistent with the organization’s mission and CDFI target market. The partnership with BH will add a significant pipeline of projects in the District of Columbia and Florida, specifically Miami-Dade County. Both of these geographies have high concentrations of poverty.

Washington DC

The targeted charter schools in the District of Columbia are located in the most economically depressed areas of the city. According to the U.S. Census Bureau, 2005 American Community Survey, nearly 1 out of 5 (19.1%) DC residents—or 104,000 people—live at or below the poverty line, making DC the jurisdiction with the *3rd highest poverty rate* in the nation. These numbers compare with rates of 8.2% in Maryland, 10.0% in Virginia, and 13.3% in the United States.

Of those living in poverty, the children are disproportionately affected. DC is the jurisdiction with the *highest child poverty rate* in the United States, with more than 3 out of 10 children— 32%---living in poverty, compared with 12% in Maryland and 13% in Virginia. Furthermore, 54% of DC’s children live in low-income (less than 200% of poverty) families, compared with rates of 29% in Maryland, 29% in Virginia, and 39% in the United States, making it the jurisdiction with the *highest rate of low-income children* in the United States.

Miami-Dade County, Florida

The target market in Miami-Dade County is similar to Washington DC - a low income population living in economically depressed areas of the city. According to the U.S. Census Bureau, 2005 American Community Survey, Miami-Dade County has a poverty rate of 16.4%, well above the state average of 13.3%. However, the City of Miami has a 26.9% poverty rate, which places the City of Miami in the *top 5 poorest large cities in America*.

** Invitational priority*

The applicant proposes a grant project that demonstrates its ability to partner with new actors and/or leverage new sources of capital and untapped non-Federal programs in order to finance charter school facilities.

CSDC has had a track record of success expanding the number of sources of capital to finance charter schools. The success of the previous credit enhancement applications has led to an increase in the number of partners with non-Federal funds. The national reputation of CSDC has attracted the following strategic partners: the Kauffman Foundation made a \$5 million Program Related Investment (PRI), the Daniels Fund made a \$3 million grant, the Calvert Foundation made a \$1 million PRI, the Communities at Work Fund made a \$1 million PRI, Innovative Schools made a \$1 million PRI, and numerous lending institutions have financed charter schools supported by the Credit Enhancement program.

Similarly, Building Hope has attracted the following strategic partners: the Walton Family Foundation made a \$10 million PRI, the Sallie Mae Fund made a \$28 million grant, and most recently the J.A. and Katherine Albertson Foundation committed to a \$7 million PRI. The Albertson Foundation also invested in a study of rural education and inspired one of the foci for this application.

We will continue to solicit new financial organizations to invest in charter schools. The loan pools supported by the Credit Enhancement program are ideal candidates for replication and can attract new investors to the sector. There may be a special focus on expanding the interest and support in rural education with the help of the Albertson Foundation. They are already convening a multi-state discussion on the unique facility challenges faced by rural schools and we could anticipate this discussion will attract more organizations to support this effort.

Quality of project design and significance (35 points)

1)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.

The Applicant, the Charter Schools Development Corporation (CSDC), a 501(c)(3) tax-exempt, nonprofit corporation and Community Development Financial Institution (CDFI), has helped public charter schools acquire and finance facilities at the lowest possible cost, first as a credit enhancement provider, then as a nonprofit developer of facilities for lease with purchase option, and most recently, as a lender to charter school organizations. CSDC's mission is to promote high quality choice in K-12 education by assisting charter schools with the acquisition and financing of educational facilities appropriate to the school's mission, design, student population and enrollment, both current and projected. CSDC has been contributing to the charter school movement by providing highly leveraged facility financing and turnkey real estate development solutions to charter schools and has received three prior federal credit enhancement grants (\$10 million in 2002, \$5 million in 2004 and \$6.6 million in 2006) which support its "Building Block Fund," a national revolving credit enhancement program. In September 2010, the Indianapolis Local Public Improvement Bond Bank, with the approval of the U.S. Department of Education (DOE), transferred its \$2 million credit enhancement grant to CSDC making CSDC the second largest grant recipient under the program.

The previous federal credit enhancement awards have enabled CSDC to greatly expand its efforts to provide facilities financing and real estate solutions to charter schools nationwide. CSDC has a proven commitment to newly-formed and early stage schools for which securing a site to open is often the most daunting challenge. Without the availability of CSDC's programs, these schools would have faced a "Hobson's choice" of postponing opening, opening in

substandard or prohibitively expensive leased space, or losing their charters and, by extension, the opportunity to provide more choices to parents and educational options to students in those communities.

CSDC has led the efforts to close the “gap” between private lenders requiring 15-25% equity in each transaction and the facility needs of charter schools needing 100% financing. CSDC has repeatedly demonstrated its versatility by working with a variety of charter schools with varying academic missions, curricula and student demographics, as well as independent and charter/education management organizations that manage multiple charter schools.

While there are other CDFIs lending to charter schools, they typically focus on more mature borrowers, CMOs and EMOs, those in specific markets, and those that can meet more stringent underwriting criteria. This leaves an unmet need for new freestanding schools which are still the vast majority of charter schools. According to the National Alliance of Public Charter Schools, as of 2011 there were 3,548 freestanding schools and 1,709 CMO/EMO managed schools. While the growth of CMOs and mature schools is important, programs targeting today’s new freestanding schools are critical to ensure continued growth in the sector.

Other CDFIs and traditional lenders also want to see loan-to-value (LTV) ratios of 70% - 85%, but CSDC’s programs result in 100% LTV. Additionally, we do not require traditional collateral and will regularly finance leasehold improvements, something a bank or other CDFIs will rarely do as these loans have little or no collateral value. One other CDFI that has a similar approach to CSDC is Building Hope...A Charter School Facility Fund (BH). BH is a 501(c)(3) private foundation and current credit enhancement grant recipient that has been financing charter schools in a similar fashion with exceptional results. CSDC and BH are mission-aligned

organizations that share a dedication to increasing and supporting the creation and expansion of high-quality charter schools throughout the country by acquiring, financing, and renovating suitable school facilities. While CSDC is the lead applicant, CSDC will partner with BH, a like-minded CDFI, if successful under this application. CSDC also has the support of other organizations/foundations like the Rural Opportunities Consortium of Idaho (ROCI) and the J.A. and Kathryn Albertson Foundation. If successful, the organizations will leverage each's unique strengths and resources to implement a new loan program dedicated to expanding access to facilities to a wider array of charter schools, including expanding our focus on serving rural charter schools.

CSDC and BH enable client schools to access and leverage capital financing to cover 100% of the cost of owning or renovating a facility through a leasehold improvement loan by providing financing in lieu of the cash equity that would normally be required of a commercial borrower. Without the credit enhancement of partners like CSDC and BH, charter schools would have no alternative but to divert a significant portion of their per-pupil funding from their educational mission to equity, speculative fundraising or other prohibitively high cost sub debt. The DOE cited CSDC in their 2008 Charter School Report as one of the nation's most effective financial organizations in supporting the growth of charter schools in low-income communities. The U.S. Department of Treasury's Charter School Innovation Report cited CSDC's credit enhancement program as one of the nation's most effective models for financing the growth of new and early stage schools.

CSDC is requesting a \$5 million grant to expand its capacity to provide financing with an emphasis on subordinate debt and leasehold improvements to multiple charter schools over a broad geographic area, including rural communities, by leveraging an initial loan pool of \$10 million that, in turn, further leverages approximately \$83.5 million in new private sector financing for charter school facilities. BH committed the first \$5 million to capitalize the new loan fund, and together with CSDC, will close the financing gap while achieving maximum leverage to serve urban and rural charter schools serving predominately low-income students.

CSDC has consistently made private sector facilities financing more accessible and affordable for charter schools. The grant will serve as a loan loss reserve to leverage a new loan fund that will make loans, either solely (i.e. leasehold improvement loans) or as part of a larger financing package (i.e. subordinate debt), which will in turn leverage senior or landlord-funded financing, for charter school facility projects. CSDC and BH are currently meeting the needs of a wide range of schools, from newly-formed charter schools seeking leasehold improvement financing to stable and mature schools who can incur long-term mortgage or tax-exempt bond financing. The demonstrated ability to meet this “continuum of needs” for charter schools at various stages of development, by “rolling over” the credit enhancement from one stage in the school’s “life cycle” to the next, is one of the strengths of CSDC’s credit enhancement program.

BH has committed the first \$5 million in loan proceeds at below market rates to initially capitalize the fund and keep the cost to the borrowers low. CSDC has approached several potential capital providers for the remaining \$5 million with strong levels of interest from PNC Bank, United Bank, Great Western Bank, and Vectra Bank - all of whom are firmly committed

to improving public education and have a demonstrated track record of working with CSDC and lending to charters (see letters of support). This grant is crucial to ultimately obtaining financing commitments from these or other capital provider(s) as the grant will be pledged as the first loss reserve thereby eliminating the collateral risk.

CSDC will provide financing to a minimum of 35 charter schools by leveraging \$83.5 million in new capital from other sources. At least half of these schools will be located in rural communities and two-thirds will meet the criteria of CSDC's and BH's CDFI missions: 1) schools serving a majority of students eligible for federally subsidized free or reduced price lunches under the national School Lunch Program; 2) charter schools located in economically distressed census tracts; and/or, 3) charter schools located in communities with a large number of poor performing district schools under No Child Left Behind or ESEA Flexibility.

CSDC's lending efforts to date have been focused on the Mountain West states of Colorado, New Mexico and Wyoming, where CSDC has matched on a 1:2 basis a \$3 million grant from the Daniels Fund of Denver for the purpose of providing a loan loss reserve for its "Mountain West Charter Schools Fund" (MWCSF), the state of Arizona and the Mid-Atlantic region commencing in Delaware via a partnership with Innovative Schools who made a \$1 million Program Related Investment (PRI) to CSDC to initially capitalize the loan fund (see attached letters of support). Similarly, BH has initiated a program in Idaho with a \$7M commitment from the J.A. and Katherine Albertson's Foundation. The majority of schools served have been in low income urban communities resulting in increased access to public school options for these families. However, recent research illuminates an equally compelling need in rural communities for more innovation and choice in public education.

In August 2013, the Rural Opportunities Consortium of Idaho (ROCI) formed to conduct research and make recommendations to national and state policy makers on how to address the specific challenges of public education reform in rural and frontier areas and options for enhancing the educational and economic competitiveness of rural states. ROCI engaged Andy Smarick of Bellwether Education Partners to produce a series of policy briefs focused on rural education reform, the first of which focused on how rural charter schools can succeed with the right public policies in place and was published in January 2014 titled “A New Frontier: Utilizing Charter Schooling to Strengthen Rural Education” and can be found at <http://bellwethereducation.org/>. This research follows up on limited earlier research on rural education at <http://www.charterschoolcenter.org/resource/beyond-city-limits-expanding-public-charter-schools-rural-america>, and a DOE grant to support a rural school at <https://www.ed.gov/blog/2011/02/rural-charter-school-makes-education-real-for-students/>.”

This research confirms that most rural families typically have just a single public school option. As of the 2011 school year, there were only 785 rural charter schools, or only 16% of the over 5,200 charters operating across the country at that time. While underserved urban children have benefited from the options provided by charter schools, as well as many federal programs and initiatives that have encouraged replication and expansion of high performing schools in these communities, disadvantaged rural families seldom have access to these same choices and opportunities. Smarick’s research identified lack of equitable funding and access to affordable facilities as significant problems faced by rural charter schools (see letter of support). One of his policy recommendations is to provide rural charters with equitable funds and “enact policies that would allow charters to finance their facilities at more favorable rates.” Recognizing that these

schools need access to affordable facilities and financing absent any immediate policy changes, CSDC's proposed grant project aims to address this challenge.

While most charter schools are forced to divert operating funds to cover the cost of facilities, the problem is more acute for rural charters who typically incur much higher transportation costs. A 2001 study found that rural schoolchildren were more likely than their urban peers to have long and arduous bus rides, resulting in rural districts spending twice what urban districts spend per pupil on transportation. With lower average enrollments, Smarick points out those rural schools encounter diseconomies of scale as they attempt to spread the cost of facilities, transportation, administration and instruction over a smaller revenue stream. In addition, existing public school buildings are often at capacity making vacant surplus district buildings few and far between. As a result, many rural schools are forced to construct new buildings or lease space not originally designed for school use. An illustrative example of the impact of CSDC's loan program is La Jicarita Community School, a small school serving 52 students in grades K-6 in Pensco, NM, as described in the letter of support: "our school wouldn't have been able to secure financing for the construction of our elementary school in an underserved and isolated part of rural New Mexico to provide a choice in education for an at-risk population of students with a disproportionately high level of special needs."

CSDC is well positioned to replicate the proposed loan fund model and provide charter schools with up to 100% financing in the form of intermediate and mini-perm term debt at market or below-market rates and terms. To date, the national education reform movement has focused primarily on the needs of low-income urban students. However, one-in-four American students attend school in a rural community and many students in rural schools are low-income.

CSDC can do this as a direct result of its partnership with BH and the support of ROCI, the Albertson Foundation and the many states who have supported this application. BH recently established an office and hired dedicated staff in Boise, ID who will conduct targeted outreach to these rural communities across many states, as described further in this application.

As CSDC served more schools over the years, it identified the need for a nonprofit organization to develop, own and lease facilities to schools with attractive purchase options. Pursuant to its previous grant performance agreements, CSDC uses a portion of its \$5 and \$6.6 million credit enhancement grants to partially guarantee debt financing for these projects delivered through its nonprofit affiliate, CSDC Property Corporation (CSDCPC), when that is the most affordable solution for the charter school(s). CSDC Property Corporation is able to develop, construct and lease with an option-to-purchase in large part due to its ability to secure 100% financing using its grant funds. The lease-to-own model gives young schools access to attractive, safe facilities where they can gain operational experience, grow enrollment and concentrate on their educational programs, setting the stage for the school(s) to purchase the building when it becomes more established and creditworthy. However, the majority of these grant funds are already obligated, limiting the ability to grow and serve more schools under this program.

CSDC has developed over \$150 million in turn-key facilities to over 30 charter schools occupying over 1.5 million square feet of space with the tax and financing advantages that CSDC enjoys as nonprofit owner “passing through” those benefits to our tenants. The new loan fund created by this grant would enable CSDC to provide more turn-key facilities to schools,

including in rural areas where appraisal values may not fully support total project costs, by funding the subordinated debt that is the most difficult layer of the financing stack to secure.

Better Rates and Terms = Access

The grant will enable CSDC to structure affordable financing packages with interest rates in the 4-7% range for schools (approximately 25 to 200 basis points below prevailing 7-9% market rates, depending on assessed risk) that otherwise would not meet the credit standards or collateral requirements of traditional lenders and most other CDFI's (i.e., three years of audited financial statements, full enrollment, perfected collateral, etc.). CSDC will be able to keep interest rates low, despite the relatively risky nature of the types of lending we propose, due to BH's commitment of the first \$5 million in loan capital at a nominal cost and the support of these grant proceeds. When blended with the cost of funds anticipated from other participants in the range of 4-5%, CSDC will be able to offer competitively low interest rates to its borrowers.

CSDC has established collaborations with over 40 lenders and several philanthropies to make affordably priced capital available to new and rural schools. The 2008 DOE Report noted that were it not for CSDC's credit enhancement program, many low income schools "would not have received facility loans at any price from traditional lenders," and that CSDC provided more financing solutions for low-income schools than any other credit enhancement grantee.

Lacking access to affordable sub debt, schools are forced to finance the LTV gap through other means. Fundraising is the most typical, which, even when successful, comes at both a human resource (dedicated staff or board members volunteering) and financial (outsourced professional fundraiser or grant writer) cost to the school which cannot be underestimated.

Often “access” to financing equates to “better rates and terms.” In the attached Letter of Support from the Greater Heights Academy in Flint, MI that commenced operations in the fall of 2013, the Executive Director Lisa Leimeister sums it up best: “Lenders in this depressed area require security other than a building that they do not want to hold in the event of a foreclosure. This often necessitates a personal financial guaranty of a school founder. Such guarantees are rare and extremely limiting in attracting new and independent charters. Without CSDC’s support, Greater Heights Academy in its successful current structure simply would not exist.”

2. The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program.

CSDC’s project goals, measurable objectives, and timeline are more fully described throughout this application, but summarized below. To assure progress in achieving these goals, CSDC will work with BH to collect and analyze data, document best practices and market the program to new and rural communities to ensure adequate pipeline to meet the stated goals. Performance results, best practices and lessons learned will be shared with ROCI, Bellwether or other organizations researching policy implications of rural education reform:

Goal 1. Increase the volume of affordable capital available for lending to charter schools, including loans for subordinate debt or leasehold improvements.

Measurable Objectives:

- CSDC will raise new capital to provide acquisition, construction, renovation, leasehold and “mini-perm” loans either as senior or subordinate debt per the following timeline:

- Secure \$5 million in lending capital from Building Hope within 60 days of executing a performance agreement with the DOE.
- Secure an additional \$5 million in lending capital (for a total initial loan pool of \$10 million) within 6 months of executing a performance agreement with DOE.
- Fully commit the initial \$10 million in loan proceeds within the first 4 project years.
- Recycle and redeploy the initial capital between years 5-10 of the grant period.
- Build on the initial success of the grant program by replicating and expanding the loan fund models in years 5-10 by working with BH and ROCI to secure new philanthropic commitments to leverage new sources of capital for new and rural schools.

Goal 2. Further the goals of No Child Left Behind and Serve Communities/Schools in Need.

Measurable Objectives:

- A minimum of 70% of the Charter Schools served during each project year will meet at least one of the following criteria
 - Located in a district where more than 50% of students do not meet the standard for proficiency in either math or language on the state assessment, or
 - Located in a district with 50% or more of the student population eligible for free or reduced-price lunch, or
 - Have more than 50% of current or projected student enrollment who are eligible for free or reduced-price lunch, or

- Located in a district where more than 25% of public schools have been identified for improvement, based on their inability to meet adequate yearly progress, or
- Located within economically distressed census tracts under the New Markets Tax Credit program.

Goal 3: Serve new and early stage charter schools defined as those that have less than three full school years of operating experience.

Measurable Objective:

- At least two-thirds of the schools served under this grant each project year will have less than 3 full years of operating history.

Goal 4: Provide leased facilities under CSDC's turnkey lease with purchase option model.

Measurable Objectives:

- A minimum of one development project will commence each project year.
- Sub debt provided by this fund to development projects will reduce the overall financing cost by an average of 2-4% resulting in lower lease rates to charter school tenants.

Goal 5: Serve 35 charter schools and leverage a minimum of \$83.5 million in loan capital during the grant period achieving leverage of almost 17:1 cumulative per the following timeline.

Measurable Objectives:

- 50% of the schools served during the cumulative grant project period will be located in rural communities, or serve student populations who reside in rural communities as defined by the National Center for Education Statistics. Generally speaking, these are communities with populations of less than 20,000 people
- Originate \$4M in loans for 6 schools leveraging \$16M in financing in Year 1 – this may be an abbreviated year depending on the timing of the execution of the performance agreement. Any shortfalls will be made up for in subsequent years.
- Originate \$4M in loans for 6 schools leveraging \$19M in financing in Year 2;
- Originate \$2M in loans for 3 schools leveraging \$10M in financing in Year 3;
- Originate \$500,000 in loans for 2 schools leveraging \$2M in financing in Year 4; and
- Originate \$8.5M in loans for 15 schools leveraging a minimum of \$34M in financing during the remaining term as funds revolve and recycle.

Goal 6. Expand Supply of Lendable Funds at Better Rates and Terms

Measurable Objectives:

- All loans made by or through the new fund will have the following financial terms:
 - Term - 1-5 years
 - Amortization - up to 25 years
 - Interest only during construction and initial enrollment periods
 - Interest rates - Competitive and fixed at closing, projected between 4-7%
 - LTVs up to 100% for new, early stage & rural schools

- Maximum loan size - \$1,500,000
- Leverage \$83.5 million in new financing from senior sources and/or landlords investing in leased facility improvements achieving 17:1 cumulative leverage of federal funds.
- Provide technical assistance free of charge as a standard part of the application due diligence process pursuant to CSDC's and BH's CDFI mission.
- Solicit grants, PRIs and other contributions from foundations, federal programs and other organizations that are known for supporting public school choice and charter schools to further leverage and grow the loan fund.

Goal 7: Serve charter schools located in states with strong charter laws.

Measureable Objective:

- Deploy 65% of cumulative loan proceeds in states either rated "A" or "B" by the Center for Education Reform, or states ranked in the top 50th percentile by the National Alliance for Public Charter Schools. A list of these states is attached.

3. 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.

This project is likely to achieve the objectives based on the history of the participants and the time tested methodology proposed herein. CSDC is a three-time federal credit enhancement grantee with a nationally recognized track record of providing credit enhancements, loans and turnkey facilities in a timely, affordable and efficient manner. It has leveraged its grant funds 16:1 and has a historical loan loss rate of 1.8%. BH has managed its own \$4.95million credit enhancement program since 2006. It has recycled its funds four complete times and obligated

over \$20 million in enhancements with no losses. BH has committed the first loan dollars to capitalize the new fund which will accelerate CSDC's ability to attract the remaining investment needed to launch the new \$10 million fund and leverage additional private lending for the benefit of charter schools pursuant to the objectives outlined above.

Upon notification of the award, CSDC will work closely with its current relationships to continue to market the program to new schools. It will also work with BH, ROCI and the CO, ID, AZ, AR, and GA state associations who supported this application (and whose states have significant rural populations) to market the program to prospective borrowers in rural communities, ensuring an ongoing and adequate pipeline each year to meet the specific performance goals related to deployment in rural areas. There has been no historical lack of pipeline from urban schools so most marketing efforts will be focused on rural areas.

The project team will review pipeline projects prioritizing those meeting the competitive preference criteria and begin the formal evaluation and underwriting process. CSDC has developed a proprietary Excel-based spreadsheet to track the annual performance of its charter school clients and the overall performance of its loan portfolio. Portfolio monitoring conforms to CSDC's ongoing policies with each new school loan risk -rated at the time of approval and tracked to assure diligent performance monitoring and data collection. To assure accountability and achievement of the aforementioned goals, CSDC will work closely with state associations, ROCI, and other support organizations researching the need for facilities finance programs for new schools and schools in rural communities. The goal of these efforts is to disseminate results and assist in efforts to replicate our program.

4) The extent to which the proposed grant project is likely to produce results that are replicable.

This grant will encourage other financial institutions to become active participants in charter school lending by mitigating risk. Previous grants provided CSDC with the means to fund loan loss reserves required by its prospective philanthropic and private sector investors and launched its first loan fund in 2010. That experience led to the replication of those programs with support from the Daniels Fund in the Mountain West region and the Kauffman Foundation nationally. Similarly, the experience of BH directly led to the replication of its initial program in Idaho this past year with the support of the Albertson's Foundation.

We envision that continued replication of our program will happen. One special opportunity emerges from the historical lack of investments or targeted programs to rural charters to date, as noted in Smarick's research. By partnering with BH and with the support of ROCI, CSDC will more broadly be able to disseminate information on the new loan fund's effectiveness in providing access to financing in rural communities. This should enable other organizations with philanthropic partners to replicate our program on a smaller scale in targeted geographies or communities. ROCI is specifically charged with identifying best practices that support efforts to incubate innovations and publish original research and findings on national trends in rural education. The outcomes of CSDC's new loan fund on rural charter schools will contribute to this directive and inform other organizations seeking similar impacts. In addition, CSDC will work closely with Andy Smarick and Bellwether Education Partners to continue his research into rural education reform and assist in identifying best practices in financing rural charters that can be extrapolated and applied to other organizations and policy initiatives.

5)The extent to which the grant project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given.

CSDC's reputation for successfully serving the highest (perceived) risk segment of the charter school sector - new and now rural schools serving predominately low-income students - is based on its highly flexible underwriting criteria which is the hallmark of this success, including student recruitment and enrollment, governance and administration, budgeting and finance, and relationship with the school's authorizer/sponsor. Throughout the underwriting process, we examine more than seventeen different aspects of a charter school's business plan. These items provide the means to predict, and later track a school's academic and operational outcomes and performance. This data, when coupled with the underwriting process, informs CSDC and its financing partners of how to assess credit risk and make sound credit decisions. A detailed description of the underwriting and application process can be found under "Capacity." The common denominator of schools served under this grant is that they will all have strong leadership, a clear educational mission and vision, a compelling academic model, a close relationship with the community they serve, their charter authorizers, and demonstrated interest and demand from parents.

CSDC has established the following parameters for determining the amount of assistance provided to an individual school under this program: Minimum loan size - \$100,000 & Maximum loan size - \$1,500,000. Ultimate loan amounts will be based on a combination of factors, including, but not limited to, LTV, % of total budget on facility costs (if more than 20% than loan amount may be adjusted down, unless school can demonstrate a declining % spent on

facilities proportionate to enrollment growth), \$ per pupil spent on facilities, philanthropic support of the project to lower overall cost.

CSDC conducts direct outreach to charter authorizing agencies, CMOs and EMOs, state charter school associations, education philanthropies, capital providers, and community sponsors to cultivate relationships and obtain introductions to stakeholders who have created, or are considering creating, new schools. CSDC, as well as its partner BH, participate in regional and national charter school conferences and workshops and utilize Governing and Advisory Board members to generate referrals of charter schools that meet CSDC's mission driven criteria and would be good candidates for CSDC's assistance.

6) 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 beyond what would be accomplished absent the program.

CSDC projects that the grant will be leveraged at 17:1 times to provide \$83.5 million in financing to 35 charter schools during the project period. CSDC is nationally regarded as having established the standards for effectively lending to what are perceived by traditional lenders as the most risky of charter schools. Its national reputation has attracted strategic partners like the Kauffman Foundation (\$5M PRI), Daniels Fund (\$3M grant), Calvert Foundation (\$1M PRI), Communities at Work Fund (\$1M PRI), Innovative Schools (\$1M PRI) and numerous lending institutions. Similarly, BH has attracted strategic partners such as the Walton Family Foundation (\$10M PRI), Albertson's Foundation (\$7M PRI), and the Sallie Mae Fund (\$28M grant). The enhancement funds allow for structuring partners' investments with lower risk exposure. Many of the organizations mentioned in the description of CSDC's Mountain West initiative have

already expressed interest in increasing their investments in charter schools through CSDC as the underwriter, originator and servicer of the loans, and have provided letters of support for this proposal. However, current and prospective funders would not provide loan capital to CSDC without the collateral this grant would provide. Absent this new fund, access to facilities and financing will remain a barrier to entry for many rural schools as documented in Smarick's research.

With the unique focus on serving rural communities with this grant, CSDC expects many of its rural schools to also qualify for subsidies under the USDA's Rural Development Community Facilities Loan Program. However, applying to and accessing this program is both time and resource intensive, and charters, especially start-ups, who are competing with other types of community facilities projects for the same funding often get overlooked. This is affirmed by the Idaho Charter School Network in their letter of support: "The USDA credit enhancement program is hampered by time constraints and overwhelming demand. This program ... leaves many rural charters unfunded and unrealized."

An illustrative example is Desert Star Community School, a K-8 charter school located in Cornville, AZ that serves the rural communities of northern Verde Valley. The school, which achieved an "A" academic rating under AZ's evaluation system, serves 164 students, with 63% classified as economically disadvantaged. The school was at capacity and planned to launch a middle school program through the construction of additional classrooms and enhancement of outdoor program areas. The new classrooms created 100 additional student seats for a total project cost and the school applied to the USDA with a loan request of \$2.6 million.

However, due to the lengthy USDA process (over a year to date), the school didn't want to wait an entire school year to expand while it pursued the USDA program, and successfully applied to CSDC for a bridge loan for the expansion project. The school subsequently increased enrollment for the 2012-2013 school year and the USDA loan, while approved, still has not funded. It is anticipated that the CSDC loan will be refinanced upon eventual USDA funding which is expected almost 8 months after the approval was granted. With this new proposed loan fund, CSDC expects to help rural schools leverage the USDA programs more predictably by providing the bridge financing needed to commence the facility projects in the first place.

7)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.

CSDC and its subsidiaries have provided financing in 26 states including the District of Columbia. The Center for Education Reform is a recognized authority for analyzing the nation's charter laws and assigns each state a letter grade based on a combination of factors. Similarly, the National Alliance for Public Charter Schools ranks each state in order of its relative strength based on 20 components. Historically, over 70% of CSDC's grants have been deployed in "A" or "B" rated states by CER, and over 80% has been deployed in the top 50th percentile of states ranked by the Alliance.

For this proposal, CSDC expects to maintain similar levels of investment. CSDC has set a goal of deploying at least 65% of funds in states with a rating of "A" or "B" or in the top 50th percentile. Three of the 5 states with significant rural populations studied by Bellwether Education Partners have supported this application (Colorado, Idaho and Georgia) and are the ones without any caps on growth. As a result, these three will also be prioritized for assistance

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through this grant. In addition, BH's presence in Idaho, the District of Columbia and Florida (all meet our criteria) will increase CSDC's pipeline and presence in those communities.

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

Approving the requested \$5 million credit enhancement award will increase CSDC's capacity to provide essential capital to new schools and a fast growing segment of the charter school sector – rural schools. Since 2005-06, rural charters have grown from 539 to 786. The demand for programs and services specifically targeted to the needs of these new and rural schools is critical to the continued growth of the charter school movement. These schools are not likely to access capital from any source and at any price without access to credit enhanced loan funds that understand, and are willing to take, the calculated risk of serving this segment.

During the most recently completed project year, CSDC committed over \$4.7 million in new enhancements on behalf of 14 schools and has a \$4 million pipeline for loans and credit enhancements for the current project year. The demand this coming year will quickly deploy most of CSDC's remaining \$6 million in unobligated federal funds across all of its previous grant awards (see annual grant performance reports as of 9/30/13). Based on average annual deployment, without new capital to leverage, CSDC's ability to continue to meet the needs of schools will slow significantly. As further described in the "Capacity" section, CSDC has the personnel, pipeline and resources to fully leverage the \$5 million grant to its projected \$83.5 million level due to recycling and revolving funds. In addition, with the support of ROCI, performance results from this grant will help shed light on the issues affecting rural communities

and their schools and serve to lead to improved public policies that strengthen rural education reform efforts impacting the national movement.

Underwriting criteria is sufficiently flexible to accommodate a wide variety of charter schools, i.e. urban, rural, newly formed, expanding, etc., with diverse educational models. This grant will reduce CSDC's overall cost of funds to approximately 3-5% and enable CSDC to pass the cost savings directly through to its client schools. Project costs as outlined in the attached Budget are nominal and primarily related to subsidizing closing costs and legal fees of borrowers. CSDC covers administrative costs in excess of the grant's 1/4% through revenue generated from loan origination fees, spread income and its other non-CDFI activities, primarily the development, leasing and sale of its design-build properties to charter school tenants.

The grant proceeds will be deposited in a similar fashion as previous grants, i.e. with an FDIC-insured or other deposit account pursuant to program regulations. Projections in the attached Cash Flow Proforma are conservative and reflect the historically low interest rate environment. To the extent that interest rates improve, income to the grant will increase while expenses will remain consistent with the proposed budget. Total revenue from the reserve account is projected at \$255,000 for the ten-year contract period, well in excess of the \$175,000 in expenses expected to be charged to the reserve account.

Quality of project services (15 points)

1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served.

The majority of charter schools, especially new and rural schools, do not have sufficient available cash to meet a lender's equity requirements. As a result, most schools need to borrow 100% of their acquisition, renovation or construction costs. CSDC has been addressing this discrepancy for a decade by providing credit enhancements and sub debt loans in lieu of the cash equity that would normally be required of a commercial borrower. CSDC's loan programs are designed to offer schools "one-stop shopping" for their financing needs and our borrowers will not have to secure other sources of credit enhancement or equity nor divert educational funding to satisfy commercial lending requirements. Initial research by Bellwether noted above confirms that these challenges are exacerbated for rural charters. Education Facility Solutions has completed nearly 50 charter school transactions and writes, "In our extensive experience, the greatest facility financing needs of charter school organizations are . . . financing tenant improvements for rented facilities. As a result of CSDC's existence, our client schools have been able to not only secure leases, but also the loans to improve the facilities when a landlord does not offer build out funding."

In the attached letters of support, there are ample testimonials as to the consistent needs of new and rural schools for CSDC's programs. Perhaps the most compelling example is from Terry Ryan, President of the Idaho Charter School Network who writes "There are more than 11 million students in rural parts of the country and they deserve the same access to quality charter schools as their urban peers. Yet, there are too few resources and too few proven strategies of success aimed at the needs of rural youngsters. Charter schools have shown promise but their growth is constrained by lack of access to quality school facilities. They do not have the choice to share in surplus school facilities; they do not have a wide selection of lenders to help finance

their facilities; and they are rarely part of a national Charter Management Organization that can provide internal financing.” The same sentiment is reiterated by Scott Smith, ED of Arkansas Public School Resource Center: “Improving a quality education in a rural setting is a challenging problem facing one quarter of the country. There are too few resources and too few proven strategies of success. Charter schools have shown promise but their growth is constrained by facilities.”

CSDC’s partner in the MWCSF, Great Western Bank, adds “CSDC has been helpful to start-up and small charters allowing them to access funds in the marketplace that would otherwise be unavailable to them. By providing subordinate debt for all or part of the loan that a charter is seeking, CSDC provides an increased level of security that brings money to the table that would otherwise be inaccessible to these schools. When CSDC partners with lenders or landlords, like Great Western Bank, to grant new access to facility dollars, everyone wins.” Further, Michael Gaughan of PNC Capital Markets writes: “Charter schools across the PNC Financial Services, Inc. footprint face growing enrollments and demand for their services that often results in the need for the acquisition, renovation, or expansion of their facilities. This transition can be difficult, however, given both a scarcity of local public funds and a requirement for equity contributions of between 10 percent and 20 percent for conventional loans.” These quotes support the findings of the recent research by Bellwether and ROCI quoted earlier.

Our experience with charter school board members further confirms the needs of schools. As board members remind us, the primary responsibility of a charter school governing board is to monitor the cash flow and financial operations of the school and it is essential to be able to accurately predict debt service during the first five years when enrollment is growing. CSDC’s

fixed-rate financing and purchase options empower school governing boards by bringing this predictability to their facility/occupancy expense. With amortization schedules of up to 25 years and a maturity date to coincide with a school's financial stability (typically in year 5), CSDC's products assure boards that school leaders can focus on producing strong educational programs and solid academic results without the financial pressure of fluctuating interest rates or the need to refinance short-term debt. CSDC's support makes a true difference.

2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for the grant project.

Charter schools, chartering agencies, and charter support groups were consulted for this grant proposal. CSDC's Governing Board includes members with direct experience founding, leading, and authorizing charter schools, and has an Advisory Board to assure accountability to CSDC's target market (see also "Capacity"). Members are responsible for providing input and feedback regarding CSDC's services and ensuring that CSDC's financial products are tailored to the needs of the members' constituents.

The proposed loan program evolved based on input from many sources, including testimonials from existing CSDC and BH funded schools, as illustrated by the extensive letters of support excerpted here: "Without CSDC's credit enhancement, our school wouldn't have been able to purchase our middle school building, add 5 acres of athletic facilities and land, and secure a lease to purchase transaction on our new high school. Atlas Prep serves nearly 700 students, about 90% of which qualify for free or reduced lunch, in grades 5-9. And without the tremendous support of CSDC, we would have nowhere near the facilities or growth our kids deserve."

“Without CSDC’s credit enhancement, our school wouldn’t have been able to obtain the current school building in which we currently occupy. Two Roads Charter School is a K-12 school with almost 600 homeschooled and traditionally schooled students. We were in significant financial trouble before CSDC stepped in and assisted us in securing a more affordable building. They were remarkable and supportive throughout the entire process.”

CSDC’s letters of support from state associations demonstrate the extent and depth of the input and support from Georgia, Arkansas, Arizona, Colorado, and Idaho. Terry Ryan, formerly the CEO of an authorizer in Ohio and now President of the Idaho Charter School Network writes, “This application has a focus on rural education that is vitally important to many states, including Idaho.” Nora Flood, President of the Colorado League of Charter Schools: “The work CSDC has already done to assist schools in Colorado with their facilities and related financing needs has had tremendous impact in helping to establish new and expanding high quality charter schools, especially schools serving predominately low-income student populations. We are especially encouraged by CSDC’s expanded work to serve charter schools located in rural communities as Colorado has many exceptional charter schools in rural communities that have financing needs. CSDC serves a real need for charter schools because of their focus on 100% financing and providing turn-key facilities for new, early stage and rural schools.” And Kelly Cadman from Georgia confirms, “I see the true need for organizations such as CSDC to support the charter school sector with affordable financing options. Georgia’s charter legislation still does not address equity and facilities funds for schools, which presents a significant challenge, as it does across the nation.

3) 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.

The grant project team consists of experts in charter school finance who regularly provide one-on-one counseling free of charge to both prospective and client schools. CSDC's and BH's technical assistance is customized to address each school's specific area of need. Topics often focus on financial modeling, growth and business planning, budgeting and forecasting, cash flow analysis, cost benefit analysis; and financial performance monitoring and evaluation. In the attached letter of support from Miami Arts Charter School, the founder writes: "After nearly six months and beginning to feel hopeless, I came across CSDC's website Once CSDC became involved, their assistance proved to be crucial and things began to move quite rapidly. Their expertise and review of our school business plan, enrollment projections and cost factors proved to be competent and quite thorough." Today, Miami Arts enrolls over 700 and recently received the designation "High Performing" from Florida's Commissioner of Education.

The Director of Greater Heights Academy in Flint, MI, describes the full spectrum of services CSDC provided on their project: "CSDC worked closely with us to select our desired location, purchase the building on our behalf, and engage appropriate contractors to perform renovations necessary to satisfy all building and school codes. Our lease is affordable and fair, and most importantly, allows us to dedicate scarce resources to where they belong: our children."

CSDC's services help prospective and current clients accurately assess their potential and develop business plans to support the achievement of their goals. CSDC helps schools avoid crisis management by requiring schools to address the following during the application process: Leadership and Board succession, financial contingency planning, marketing and student

recruitment strategies, and academic accountability plans. In many cases, young schools with energetic founders and leaders are not thinking about longer term succession, and appreciate CSDC's probing of these issues early on.

Some charter school applicants may not be deemed immediately qualified for CSDC's financial assistance. As part of the initial due diligence process, staff works with school management to identify weaknesses and strategies for improvement. CSDC's no cost technical assistance is highly effective, as between 80-90% of all schools receiving such services eventually become its clients. Further, CSDC has incurred a nominal default rate of 1.8%, establishing a direct link between the level of technical assistance provided and the sustained quality of its portfolio.

CSDC charges standard market rate fees for loan origination in the 1-2% range, offers interest only periods during construction and fixes interest rates within the range of 4-7% at closing. These interest rates are comparable to bank and other CDFI rates charged on senior, real estate secured loans with perfected collateral despite the fact that the majority of loans under this fund will provide sub debt and leasehold improvement loans which typically attract higher rates relative to the higher risk/lower collateral. We accomplish this, in part, by keeping our cost of funds as low as possible by working with partners like BH.

4) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools that have the greatest needs for assistance under the program.

The focus of this project on new and rural schools meets a need that is currently unfulfilled. As described earlier, most other CDFIs are focusing on mature schools or those that

are part of a CMO/EMO. This leaves new freestanding schools on their own, which is shortsighted because these schools may become the CMOs of tomorrow.

As for rural schools, Jamie MacMillan, ED of the Albertson Foundation, writes “we believe the USDOE Credit Enhancement program can benefit rural schools and can act as a catalyst to identify and implement solutions for our nation’s rural schools. Addressing aging and outdated facilities has historically been overwhelming and extremely challenging for rural schools and this grant can help provide options and resources that are relevant.” Further, Andy Smarick’s research identified an acute lack of “energy, money, and talent” invested in rural education reform efforts over the past 25 years as most resources have been aimed at the needs of low income urban students. Smarick found that while urban families increasingly have access to a variety of school options, rural families traditionally have just a single school option. Of the 785 charter schools across rural America in 2011, only 111 serve students in remote rural areas – those communities furthest from larger towns and cities. Smarick concludes that charters are “an important part of the rural reform landscape” that, when done well, have made a difference in rural Idaho communities. See also Bellwether’s letter of support.

CSDC’s new and rural client schools are defined by the characteristics they share: a) they do not meet traditional lending underwriting standards; b) they have limited assets and little or no operating experience or credit history; c) they are significantly underfunded as compared to district school counterparts (as Smarick’s research confirms this is even more acute for rural charter schools); d) cash flows, operating margins, and reserves are neither adequate nor stable, as the school’s enrollment growth and the addition of more classes, grades, and students does not stabilize until the 3rd-5th year of operation; e) management, while strong in educational matters,

has limited real estate or financing-related experience; f) they cannot obtain long term financing due to traditional lenders' fears of 'charter renewal risk;' and g) the appraisal gaps confronting schools, especially those locating in low-income urban or rural communities with severely depressed real estate values, often prevents them from accessing private sector capital absent credit enhancement. See Table 4 for CSDC's risk rating of charter schools served to date.

Capacity (35 points)

1) The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application....

CSDC has an exemplary track record of serving high impact, high quality charter schools, especially new and rural schools (see letters of support). CSDC is the second largest recipient of credit enhancement grant funding under this program, having received a total of \$23.6 million from three separate funding rounds. With the partnership with BH that is also an existing grantee, the applicant and its partners are the #1 recipient of credit enhancement grants to date and bring the capacity and knowledge to manage this proposed program.

If successful under this application, CSDC will formalize the partnership with BH whereby BH will contribute staff to provide referrals, prescreening, underwriting and technical assistance (see below) and financial resources (\$5 million in initial loan capital) to implement the new loan fund. BH has created over 19,000 new student seats on behalf of 43 schools and leveraged over \$403 million in private financing with its \$4.95 million credit enhancement grant with no losses to date. The combined experience and capacity of both organizations in implementing federal credit enhancement grants, achieving goals and objectives, underwriting high quality charter schools and leveraging private sector resources is well established. Both BH

and CSDC have a track record of raising private capital to support programs and have received strong interest from other potential investors in the new fund.

Mountain West Charter Schools Fund – The Template

CSDC designed and implemented its Mountain West Charter Schools Fund (MWCSF), a lending initiative focused on the western states of Colorado, New Mexico and Wyoming, and recently expanded to Arizona. CSDC used a portion of its \$10 million credit enhancement grant to match on a 1:2 basis a \$3 million grant from the Daniels Fund of Denver to pledge as loan loss reserves which then leveraged a \$10 million revolving credit facility (with 25% collateral) from Great Western Bank (GWB). CSDC then relends these funds to its charter school borrowers. As of 12/31/13, CSDC has originated over \$16 million in facility loans to 16 charter schools. Based on CSDC's successful track record of deploying funds in the Mountain West, GWB extended another \$4 million in capital to be used in Arizona. CSDC projects similar results and leverage with the new loan program, with a new emphasis on rural states and communities.

CSDC helps lenders by taking on first-loss exposure for a school's loan payment obligation, significantly reducing risk and closing the credit gap remaining after the application of the lender's underwriting standards. Historically, CSDC's products have helped its schools gain access to sufficient capital to meet their borrowing needs with better terms than would have been available without CSDC's technical and financial assistance. As explained by Michael Gaughan of PNC Capital Markets, "Further challenging the finance needs of charter schools is the lack of financial track record of start-up and early stage charter schools. PNC often refers these newer charter schools to the Charter Schools Development Corporation ("CSDC") for

financing and guidance on how to successfully navigate the early years of development in the life cycle of a charter school.”

With the prior credit enhancement grants, CSDC designed products in conjunction with its client schools to induce, leverage and partially secure funding from private capital investors and traditional funding sources. These existing products take the form of: a) first loss/debt service payment reserves; b) lease payment reserves equivalent to 6-12 months’ rental payments; c) gap collateral to secure a lender’s financing that typically cannot exceed 70-75% LTV based on appraisal; and, d) collateral to secure leasehold improvements. CSDC’s programs often enable client schools to secure their first leased facility, commence operations, and fulfill their student recruitment and pre-enrollment commitments. Without CSDC’s assistance, these schools would not have been able to open, thus losing the opportunity to provide quality educational opportunities to low-income students in their home communities. See attached Letter of Support from Health Sciences Academy where the board president writes, “Without CSDC’s support for tenant improvements the Health Sciences Academy (see www.hsanm.org) charter school would be unable to negotiate a lease for the facility. HAS will open on August 1, 2014 and in the first year serve students (Grades 7,8,9, and 10) from the Gadsden ISD in southern New Mexico – a target population of 100% Title 1 eligible students, with over 90% of families speaking Spanish as a primary language in their homes.” Health Sciences Academy is located in Sunland Park, NM with a population of 18,204 at the 2010 census qualifying as a rural area.

2) The applicant's financial stability.

The CPA firm of Matthews, Carter and Boyce, P.C. has audited the organization annually since its inception. All of its audits, which are prepared on a consolidated basis for CSDC and its subsidiaries and affiliates, to date have been unqualified and confirm full compliance with reporting requirements, cite no internal control deficiencies, and no instances of non-compliance with Government Auditing Standards. Because CSDC receives Federal funding, the auditor's reports also opine on the company's Internal Controls over Financial Reporting and Other Compliance matters. The organization's three most recent annual audits and Form 990 are attached to this application. Also attached are organizational documents.

As a 501(c)(3) and CDFI financial intermediary, CSDC is not required to have a credit rating. However, in 2013, CSDC successfully completed the U.S. Treasury Department's rigorous process (through the CDFI Fund, a division of Treasury) for CDFI recertification indicating a determination of CSDC's financial stability, community development mission focus, and managerial competencies. CSDC exceeded all of CDFI's performance standards, and as testimony to its viability, won a highly competitive \$750,000 Financial Assistance award from the CDFI Fund – the highest amount awarded to any single organization – in 2011, and has a pending application for the 2013 competition.

CSDC is a financially sound non-profit that controls expenses and generates revenue in order to be entrepreneurial and self-sustaining and serve more charter schools. As of 12/31/13, CSDC reported \$71 million in Total Assets and \$32 million in Net Assets. Average deployment levels as of the fiscal year-end were high at 85%, which is a strong indicator of demand for its

products. The portfolio's delinquency rate at 12/31/13 was 1.17%, which is substantially below CDFI's industry standard of less than or equal to 7%. The company is well capitalized, with a current ratio of 4.8:1 and a self-sufficiency ratio of 98.77%, both of which surpass the CDFI's performance standards for these categories.

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

Charter schools seeking financing assistance must successfully complete CSDC's rigorous pre-qualification and extensive application and underwriting process. CSDC's due diligence begins with determining if the school is a mission fit, and if so, the extent to which the following characteristics of high quality schools are present: capacity, character, curriculum, collateral, and external conditions such as the strength of the state's charter laws, community support, demographics, location, condition and accessibility of the facility, enrollment and the terms of the charter. In addition to examining staffing and administrative costs and financial contingency plans, CSDC requires all applicants to provide a leadership and succession plan for the School's daily leader and key Board members. CSDC also requires all schools to provide marketing plans demonstrating how they intend to meet or exceed enrollment goals, as well as an accountability statement detailing how they plan to assure individual student achievement and compliance with the standards-based accountability provisions federal and state law.

These items provide the means to track a school's academic and operational outcomes and performance. The company relies on the thoroughness of its upfront analysis and underwriting and on-site visits with school administrators to identify quality borrowers and mitigate against future defaults. Once satisfied, the project staff prepares and presents its

recommendations regarding loan structuring, pricing and funding for Credit Committee review and approval. The approval process includes evaluating the school's needs and likelihood of sustainability, assuring mission fit, compliance with funders' investment directives, and finalizing pricing and structuring details.

Some prospective schools may not be deemed immediately qualified to access CSDC's financial products. Upon being advised of areas requiring improvement, CSDC's staff works free of charge with the school to remedy deficiencies.

CSDC's attached Loan Policies and Lending Guidelines are reviewed and approved by the Board. The policies provide prudent guidelines for debt service coverage, debt to worth and current ratios, but allow for flexibility and creativity in addressing each school's needs. Please see page 9 of the attached Loan Policies and Lending Guidelines for a schematic flow chart depicting CSDC's entire credit review and approval process.

CSDC's Portfolio Servicing procedures are incorporated into our Loan Policies and reviewed by the Board with input from the Credit Committee. The Board also reviews portfolio quality reports at least quarterly, and more frequently as needed. Write-off provisions and delinquency protocols are specified in the policies. CSDC's servicing, monitoring and risk assessment procedures strengthen its internal capacity to assess the portfolio's ongoing quality, identify watch credits early-on and provide immediate technical assistance to mitigate delinquencies or defaults as evidenced by its historically low default rate. The frequency of periodic reviews increases if the loan's risk rating is not in the highest category. The project team monitors quarterly/annual financials, covenant requirements, and all academic reports

provided to the authorizing entity as it pertains to meeting performance-based goals and proficiency rates. Based on an analysis of this data, CSDC determines what follow-up action, if any, is required.

CSDC is deeply supportive of its clients' challenges and works with them to address unforeseen occurrences. However, protecting capital is of the utmost importance, and staff interacts with any borrower who is 15 days late with payments. Delinquencies not remedied within 30 days are watch-listed. CSDC works closely with its borrower's to devise and implement a workout plan to cure the delinquency. Failing an acceptable workout, CSDC accelerates the loan and forecloses on the collateral for the purpose of selling/leasing it to another charter school organization (no loan or credit enhancement has been foreclosed upon to date). If unsuccessful, then and only then, would CSDC staff make a recommendation to the Board to approve and take a charge-off on an uncollectible loan receivable (loss).

CSDC's historic Portfolio At Risk of 0% is significantly lower than CDFI's MPS of <10.00%. CSDC has had only 9 schools default in its history, and has entered into agreements for full repayment from 6 of the 9. CSDC's in-depth monitoring of its portfolio also enables us to identify warning signs and watch credits early on so that we can work with troubled schools in resolving financial issues before a default situation occurs.

The Board reviews and approves the financial accounts policies and procedures. On a quarterly basis, the Finance Director internally produces financial statements for management reflecting the portfolio's quality and the company's pipeline of potential new borrowers to gauge the adequacy of CSDC's reserves.

4) Applicant's expertise in education to evaluate the likelihood of success of a charter school.

Inherent in working with this niche (new and rural schools) is an elevated level of risk in terms of enrollment, academic results and charter renewal, coupled with lack of a fund balance or other sources of capital to be used as equity or other required collateral. However, indicative of CSDC's credit underwriting rigor, specialized expertise in evaluating a school's likelihood of success and ability to mitigate the "start-up" risk, is its modest, historic 1.8% default rate.

The project team described below readily accesses Governing and Advisory Board members, many of whom have direct experience in education as it relates to establishing curriculum, staffing and managing operations. The members provide input into CSDC's loan policies and underwriting guidelines ensuring they reflect the characteristics that contribute to school success. Examples include Tom Nida, CSDC's Board Chair who is recognized nationally as a pioneer in the movement and was appointed to the DC Public Charter School Board in 2003, was elected Chairman in 2004, and served in that capacity until 2010. James Goenner who currently serves as President/CEO of the National Charter Schools Institute which supports the growth of the charter schools movement in Michigan and throughout the nation. Mr. Goenner was the former Executive Director at The Center for Charter Schools at Central Michigan University, the nation's largest university authorizer of charter public schools. Advisory Board members who operate high performing schools ensure CSDC's application and credit standards are capturing relevant information to predict school performance based on individual experience include: Mary Shaffner, the Founding Director of the highly successful Washington Yu Ying Public Charter School in Washington, DC; Audra Philippon, the Head of School of AXL Academy in Aurora, Colorado; Kirk Loadman-Copeland, the President of the Board of Directors

of Global Village Academy – Northglenn in Northglenn, Colorado. CSDC will have the added benefit under this grant from input from BH, whose staff and partners’ executive positions with state and national charter associations and School Boards will provide valuable perspectives and insight when considering specific schools for prescreening and referrals to this program. Their Director, Mark Medema, led the business development efforts for KIPP during its early years.

5. Conflicts of interest by employees and members of the board of directors in a decision-making role.

CSDC has established, and the Board has adopted, the attached Standards of Conduct policy that applies to both the Board and corporate officers, and specifically addresses conflicts of interest. This policy prohibits directors, officers or staff from participating in any vote involving any issue, decision or transaction in which they or any family member or business associate has a conflict of interest. Conflicts of interest are defined as any situation in which an officer, director, family member or business associate has or reasonably appears to have a material financial or economic interest in a matter affecting CSDC or its affiliates. Violators are subject to all appropriate legal and corporate sanctions and remedies, including removal from office.

6) If the applicant has co-applicants, partners, or other grant project participants, the specific resources to be contributed by each participant...Building Hope is not a co-applicant but is a trusted partner in this application. As described throughout this narrative, BH will provide a \$5 million initial investment to this project and the ability to seek additional organizations interested in investing or even replicating this model. They will provide staff capacity and industry expertise through their experience managing a previous credit

enhancement grant. Their staff has experience in understanding successful schools and their recent launch in Idaho expands this knowledge base to rural schools.

7) For SEAs... - Not applicable

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

CSDC submits annual performance reports for all four of its current credit enhancement grants. Each report reflects full compliance with the contracted performance agreements, the most recently submitted of each is attached for reference. While BH is not a formal applicant and its performance report is not attached to this application, it should be noted that they are also in compliance with their contracted performance agreement and have submitted the annual grant report to ED as required. To date, BH has recycled their original \$4.95 million credit enhancement grant 4 times, serving 43 schools (19,000 student seats) and leveraging \$403 million in private sector financing.

Of particular note is that as of 12/31/13, CSDC funded over \$40 million in credit enhancements from its original \$23.6 million in grants – evidence of its ability to revolve and recycle its grant as projected – on behalf of 110 schools resulting in over 16:1 cumulative leverage of its federal grants. Pursuant to Table 4, 68% of CSDC’s client schools served through its credit enhancement grants have had less than three years of operating experience, and 37% of schools received enhancements for leasehold improvements. CSDC is responsible for creating over 35,000 new student seats and over 3.8 million square feet of educational space across its programs. Over 78% of CSDC’s client schools currently serve predominantly low-income student populations.

Quality of Project Personnel (15 points)

1)The qualifications, including relevant training and experience, of the project manager and other members of the grant project team, including consultants or subcontractors.

The Grant Project Team – (Complete resumes are attached)

Michelle Liberati, EVP, is the Project Director who has effectively managed CSDC's prior credit enhancement grants. She will continue to serve in that capacity under this proposal and will have general oversight responsibility, including 1) ensuring all program goals and objectives are met; 2) marketing and replicating the program; 3) identifying new sources of lending capital; and 4) overseeing the portfolio monitoring process. She is responsible for the program's overall management and evaluation, including the preparation of the annual performance reports.

Laura Fiemann, SVP of CDFI Operations, is the Project Manager and administers the organization's existing CDFI programs. Ms. Fiemann has over 20 years of experience in loan origination, deal structuring and the capital markets and will report to the Project Director. The Project Manager will be primarily responsible for conducting due diligence, structuring and presenting transactions for approval, and providing additional support and technical assistance pre and post-closing as needed.

Mark Zeizel is the project's credit manager primarily responsible for the upfront financial analysis, as well as monitoring and servicing the loan portfolio once transactions close and fund. Specifically, he will create pro-forma projections, analyze governance and academic performance, interview charter authorizers and draft, in consultation with the Project Manager, the formal credit memo/recommendation presented to the Credit Committee.

Thomas E. Porter, currently manages Building Hope's existing credit enhancement grant and lending activities. He has 20 years' of experience in the non-profit and medical research sectors, with an extensive background in non-profit leadership. As the VP of Operations for BH, Mr. Porter is responsible for providing technical assistance, managing the credit enhancement program, and maintaining government relations.

Support Staff - CSDC's staff consists of 7 full time employees, many of whom have been with the company for 5-10 years, who will provide back-up coverage for any of the project team's responsibilities. The Organizational Chart depicting their principal rolls and functions is attached. The project team outlined above has been, and will continue to be, indirectly supported by the other members of the CSDC staff. In addition, CSDC will have the added benefit of support, on an as-needed basis, from BH for administration, fundraising and technical assistance.

Governing Board - CSDC's six member Board of Directors has broad expertise that guides CSDC's strategic vision and mission for supporting the expansion of high quality and high potential charter schools. CSDC's Credit Committee approves funding requests and consists of 4 Board members with experience in lending, education, real estate development and nonprofit governance. The Credit Committee also includes one independent member with a background in underwriting and deal structuring, as well as representatives of CSDC's philanthropic funders whenever loan requests entail the obligation of their respective funds as collateral. Full biographies of the following members of both the Board and Credit Committee are attached:

- **Tom Nida, Board & Credit Committee Chair**, Regional President of United Bank for Washington, DC and Maryland.

- **Ember Reichgott Junge, Board Vice Chair**, Former Minnesota State Senator and author of Minnesota's 1991 first-in-nation charter school law and member of the National Charter School Hall of Fame. She also is a founding member of the new statewide authorizer in the state, the Innovative Quality Schools (IQS).
- **James Goenner, Board Member**, President/CEO of the National Charter Schools Institute, and former executive director of The Center for Charter Schools at Central Michigan University.
- **Greg McKenna, Board & Credit Committee Member**, Vice President at PNC Wealth Management.
- **Jay Hromatka, Board & Credit Committee Member**, Managing Director in the public finance group at Piper Jaffray.
- **Michael Curran, Board & Credit Committee Member**, Senior Advisor to Artis Advisors and formerly a Senior Managing Director of Centerline Capital Group (Centerline), a subsidiary of Centerline Holding Company.
- **Brad Martin, Credit Committee Member**, former Senior Commercial Relationship Manager at Community Banks of Colorado, a division of NBH Bank, NA.

Advisory Board – As a CDFI, CSDC maintains a 10-member Advisory Board consisting of representatives of low income communities and charter schools, that is charged with providing individual school referrals and constituent input as it relates to the design and implementation of this project and CSDC's other CDFI product offerings. A list of members and their professional affiliations is attached.

2) The staffing plan for the grant project.

This grant project is fully staffed with Michelle Liberati overseeing project implementation and ensuring accountability, and day to day activities carried out by the project teams identified above. CSDC has a total of seven full time employees, with two staff members responsible for underwriting and administering its CDFI programs (credit enhancements and loans) with support from another 2 employees responsible for lease and loan administration and portfolio monitoring as noted above. CSDC currently has \$16 million in loan capital available, of which \$12 million is deployed. The organization has implemented a capital raising strategy pursuant to its 5-year strategic plan so that personnel have a consistent supply of new lendable funds to administer. The lending initiatives proposed in this application are well within the current staff's bandwidth to implement, especially coupled with the resources and marketing/prescreening opportunities made available from the partnership with BH.

In September 2013, BH opened an office in Idaho with staff dedicated to managing loan requests in that state/region. BH's presence in Idaho and relationships with philanthropic and state charter school organizations will contribute to the project's ability to meet the stated goals and objectives by providing access to the new and rural charter school market and creating pipeline for the program. Combined with CSDC's resources, the two organizations have ample capacity to achieve the project's proposed goals and objectives within the specified timeline.

Other Attachment File(s)

* Mandatory Other Attachment Filename:

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**U.S. DEPARTMENT OF EDUCATION
BUDGET INFORMATION
NON-CONSTRUCTION PROGRAMS**

OMB Number: 1894-0008
Expiration Date: 04/30/2014

Name of Institution/Organization

Charter Schools Development Corporation

Applicants requesting funding for only one year should complete the column under "Project Year 1." Applicants requesting funding for multi-year grants should complete all applicable columns. Please read all instructions before completing form.

**SECTION A - BUDGET SUMMARY
U.S. DEPARTMENT OF EDUCATION FUNDS**

Budget Categories	Project Year 1 (a)	Project Year 2 (b)	Project Year 3 (c)	Project Year 4 (d)	Project Year 5 (e)	Total (f)
1. Personnel						
2. Fringe Benefits						
3. Travel						
4. Equipment						
5. Supplies						
6. Contractual						
7. Construction						
8. Other	5,000,000.00					5,000,000.00
9. Total Direct Costs (lines 1-8)	5,000,000.00					5,000,000.00
10. Indirect Costs*						
11. Training Stipends						
12. Total Costs (lines 9-11)	5,000,000.00					5,000,000.00

***Indirect Cost Information (To Be Completed by Your Business Office):**

If you are requesting reimbursement for indirect costs on line 10, please answer the following questions:

(1) Do you have an Indirect Cost Rate Agreement approved by the Federal government? Yes No

(2) If yes, please provide the following information:

Period Covered by the Indirect Cost Rate Agreement: From: To: (mm/dd/yyyy)

Approving Federal agency: ED Other (please specify):

The Indirect Cost Rate is %.

(3) For Restricted Rate Programs (check one) -- Are you using a restricted indirect cost rate that:

Is included in your approved Indirect Cost Rate Agreement? or, Complies with 34 CFR 76.564(c)(2)? The Restricted Indirect Cost Rate is %.

Name of Institution/Organization Charter Schools Development Corporation	Applicants requesting funding for only one year should complete the column under "Project Year 1." Applicants requesting funding for multi-year grants should complete all applicable columns. Please read all instructions before completing form.	
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**SECTION B - BUDGET SUMMARY
NON-FEDERAL FUNDS**

Budget Categories	Project Year 1 (a)	Project Year 2 (b)	Project Year 3 (c)	Project Year 4 (d)	Project Year 5 (e)	Total (f)
1. Personnel						
2. Fringe Benefits						
3. Travel						
4. Equipment						
5. Supplies						
6. Contractual						
7. Construction						
8. Other						
9. Total Direct Costs (lines 1-8)						
10. Indirect Costs						
11. Training Stipends						
12. Total Costs (lines 9-11)						

SECTION C - BUDGET NARRATIVE (see instructions)

U.S. DEPARTMENT OF EDUCATION
SUPPLEMENTAL INFORMATION
FOR THE SF-424

1. Project Director:

Prefix:	First Name:	Middle Name:	Last Name:	Suffix:
<input type="text"/>	Michelle	<input type="text"/>	Liberati	<input type="text"/>

Address:

Street1:	6731 Columbia Gateway Drive
Street2:	Suite 220
City:	Columbia
County:	<input type="text"/>
State:	MD: Maryland
Zip Code:	21046
Country:	USA: UNITED STATES

Phone Number (give area code)	Fax Number (give area code)
<input type="text" value="443-561-1280"/>	<input type="text"/>

Email Address:

2. Novice Applicant:

Are you a novice applicant as defined in the regulations in 34 CFR 75.225 (and included in the definitions page in the attached instructions)?

Yes No Not applicable to this program

3. Human Subjects Research:

a. Are any research activities involving human subjects planned at any time during the proposed project Period?

Yes No

b. Are ALL the research activities proposed designated to be exempt from the regulations?

Yes Provide Exemption(s) #:

No Provide Assurance #, if available:

c. If applicable, please attach your "Exempt Research" or "Nonexempt Research" narrative to this form as indicated in the definitions page in the attached instructions.

<input type="text"/>	Add Attachment	Delete Attachment	View Attachment
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