

ED Abstract

Project Name: CSDC Subordinate Loan Fund
Project Director: Michelle Liberati, EVP and Project Director
(443)-561-1280, mliberati@csdc.org
Applicant's Charter Schools Development Corporation (CSDC)
Mailing Address: 6731 Columbia Gateway Drive, Suite 220
Columbia, Maryland 21046

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 for two decades to 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 support quality school choice for underserved students by developing and financing affordable charter school facilities.

CSDC noticed a proliferation of schools entering into less than attractive lease agreements, for example, leases with no purchase options or purchase options at rates that resulted in economic burdens on school budgets once exercised, and leases from private landlords that passed on real estate taxes to schools in the form of higher lease rates. In 2008, CSDC created its turn-key facilities development program, the Turnkey Development Program (TDP), to help charter schools focus on their true mission –providing the best education possible for every student. CSDC provides facilities at below-market lease rates in which charter schools can gain operational experience, grow enrollment and concentrate on their educational programs, setting the stage for the school to purchase the facility when it becomes more established and creditworthy. This grant will enable CSDC to provide more turn-key facilities to schools, especially in those areas plagued by low property values 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.

CSDC is requesting a \$5 million grant to expand its capacity to deliver nonprofit turnkey real estate development projects to 23 charter schools nationally by using credit enhancement to leverage an initial subordinated loan pool of \$10 million (the "FUND") that, in turn, further attracts and leverages approximately \$115 million in new private sector senior financing at better terms and lower cost to finance 100% loan-to-value ("LTV"), and thereby reduces the overall facilities costs to schools.

While there are other CDFIs lending to charter schools for facility projects, they typically price their programs at market rates, or between 6-7% for senior debt and 7% or higher for sub-debt. CSDC's programs, however, utilize credit enhancement funds in such a way as to induce senior lenders to indirectly support new schools and offer terms that these schools would otherwise not be able to attract without a solid track record of financial and operational results. The FUND will provide below market rates for subdebt into TDP projects resulting in more dollars going directly to classroom learning.