

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

Status: Submitted

Last Updated: 07/03/2017 02:18 PM

Technical Review

Applicant: Charter Schools Development Corporation (U354A170008)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	35
Quality of Project Services		
1. Project Services	15	15
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	99
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	15
Sub Total	15	15
Total	115	114

Technical Review Form

Panel #2 - CSP Credit Enhancement - 2: 84.354A

Reader #1: *****

Applicant: Charter Schools Development Corporation (U354A170008)

Questions

Selection Criteria - Quality of Project Design and Significance

- 1. Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers-**
 - 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;**
 - 2. The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**
 - 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;**
 - 4. The extent to which the project is likely to produce results that are replicable;**
 - 5. The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**
 - 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 more than would be accomplished absent the program;**
 - 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 4303(g)(2) of the ESEA, as amended by the ESSA; and**
 - 8. The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.**

Strengths:

CSDC's application balanced its history of innovation and excellence with its continuing growth that will support the successful implementation of this proposal.

CSDC has received five Credit Enhancement grants totaling \$28.6 million which has been used for leveraging facility financing in a variety of roles including a credit enhancement provider, nonprofit facility developer for lease purchase options and as a lender. (e25)

CSDC has developed a portfolio with the Building Block Fund (e25) that includes a strong Federal and philanthropic supported revolving credit enhancement program paired with the turn key facilities development component – Turnkey Development Program (TDP) (e26). The focus of these two strategies is to maximize cost savings for charters and replicate versions of these highly successful programs across the nation. (e28)

The applicant provided a clear and concise set of measurable goals (e36-49) with a timeline for implementation that is both reasonable and based on their current replication practices and grounded in their personalized data set that builds a comprehensive view of the needs of the geographic areas.

The applicant has developed relationships with financial lenders, funders, and charter schools which will allow them to continue the implementation of their previous services and leverage private capital to replicate in new locales. (e45) This proposal enhances their original funding model to allow for the use of their FUND (a new \$10 million subordinated debt fund) (e29) to make loans directly to their Turnkey Development Program (TDP) projects (e30). This new funding design

allows CSDC to establish and manage their loans at lower rates (typically 200 basis points lower) while providing 5% interest (e32) based on their established collaborative relationships with 40 banks.

The applicant utilizes a wide variety of tools including the New Markets Tax Credits (NMTC) to support facility financing leveraging 19 to 40 times in specific locales cited in the application. (e34-35) CSDC has created a model which should be easily replicable that supports and serves charter schools in a long term relationship across the growth cycle of charters with availability to fund growth as more grades are added to a charter. (e42)

The applicant has documented over 60% of its cumulative credit enhancement services have been located in five of the top 6 top ranked charter states. (e17) The application did not address ESSA since it has not been approved at the state level.

Weaknesses:

No weaknesses were identified.

Reader's Score: 35

Selection Criteria - Quality of Project Services

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

- 1. The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- 2. The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- 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; and**
- 4. The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

Strengths:

CSDC has had five years of comprehensive service delivery provided to a network of national charter schools that were funded successfully with 5 previous Credit Enhancement grants.

This application was strengthened with quotes from charters leaders pulled from the letters of support enhancing the narrative regarding service delivery and defining how CSDC impacted their ability to fund charter growth. (e48)

Letters of support were extensive representing all aspects of the funding community including partners, harbormasters, funders, lenders and the applicant pool of charter schools and providing documentation of their input into the proposal based on their identified needs.

The level and types of free technical assistance included a comprehensive listing with specific examples provided by clients (e51) that focus on the most cost-effective and flexible financing options. (e54)

The applicant provided a comprehensive set of services that were detailed in the comprehensive set of 7 goals that provide a clear plan of service delivery that has historically led to success to the past charters supported by CSDC which is the biggest indicator of likelihood of success. (e36-39)

Weaknesses:

No weaknesses were indicated.

Reader's Score: 15

Selection Criteria - Capacity

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

Strengths:

CSDC presented a comprehensive history of its past five Credit Enhancement grants which highlighted its business and organizational capacity developed over time.

Historically, CSDC has received \$28.6 million in its five successful previous Credit Enhancement grants which is supported with private dollars from strategic partners of over \$17.5 million which was leveraged 16:1. (e23)

CSDC provides a set of secure funding that supports the mission of CSDC and its fiscal stability. Current assets are \$174 million in total assets with \$44 million in net assets. (e58) The financial documents Table 1 (e71) has a total of \$146,125,000 in total non-grant funds projected over 10 years and their financial statements were strong.

CSDC has completed the U.S. Treasury Department's CDFI recertification and exceeded all performance standards. (e58)

CSDC has provided evidence of a comprehensive infrastructure designed to support the success of charter schools while providing essential data upon which funding decisions can be based. CSDC has developed a sophisticated analysis of a charter school's business plan with seventeen components reviewed (e59) paired with onsite visits (e 59) and portfolio servicing procedures.

CSDC has established a stable and resilient infrastructure with strong partnerships in all sectors of the finance community. They have created specific protocols – Risk Rating Table and an Excel tracking tool focusing on the identified data of loan performance (e 55) matched with monitoring of various data collection subsets.

CSDC addressed conflicts of interest with a clear definition (e243) and elaborated in their policies. (e246)

Weaknesses:

No weaknesses were identified.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

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

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

2. The staffing plan for the grant project.

Strengths:

CSDC has established an infrastructure of support that is bolstered by its strong staff that have the capacity to provide high quality services to a wide variety of charters.

CSDC has clearly defined job responsibilities and staff who have the training and experience to provide high quality assistance. (e 63-66) as demonstrated with the institution's history of 165 school transactions leveraging \$482 million in private capital and lease commitments leveraging a 20:1 cumulative use of federal funds across 25 states and Washington D.C. (e 63)

The applicant provided documentation of the monitoring of CSDC, which included staff interviews, that resulted in rating of "Low Risk" on the majority 14 of 19 indicators. (e63)

Expansion of personnel will be necessary due to the increasing workflow. (e67) but job assignments are clearly defined and the application did provide the percentage of time spent on this grant by senior staff supporting the proposal.

Weaknesses:

The personnel does not have a school-based educational experience and with hiring of new staff, a consideration should be given to adding this expertise to the staff's portfolio. (e67)

Reader's Score: 14

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

1. In accordance with 34 CFR 75.105(b)(2)(ii), this priority is from 34 CFR 225.12. For FY 2017 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

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 by the No Child Left Behind Act of 2001 (NCLB).

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

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

Note: With regard to paragraph (1), consistent with the transition authority in section 4(b) of the ESSA, through the 2017-2018 school year, the Department will allow applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility.

After school year 2017-2018, the Department will require an applicant that receives points under this priority and receives a grant under this competition to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

CSDC has submitted an exceptional proposal based on the strength of their past service delivery and critical infrastructure they have created to support credit enhancement of charter schools.

The applicant has a history of serving charters with a majority of low income students and 68% of the schools served by CSDC in the past have a majority of low income students. (e22)

Utilizing data from the USDOE School Improvement Grants (SIG) designed to support the lowest achieving schools, CSDC prioritized assistance in eight of the top ten states with persistently low performing schools. (e19)

CSDC has a prioritized service to low-income communities with 60% of their cumulative credit enhancement and facilities projects located in the top 5 of the 6 ranked CER states including this grant's focus area of Colorado.

Comprehensive demographic data indicators including teacher recruitment, reorganization of districts, and achievement gap specifically related to enrollment in the lowest performing schools, were provided in the examples of service delivery that support CSDC's focus on providing services in communities with the greatest needs.(e18)

The applicant provided a strong set of demographic and funding data to document its involvement in geographic areas that meet all 3 of the competitive preference characteristics.

Each of the geographic locales, to be served with this proposal, were presented with a strong set of data focused on the competitive preference criteria with specific personalized data highlighting their previous academic needs. (e18-21)

Weaknesses:

No weaknesses were identified.

Reader's Score: 15

Status: Submitted
Last Updated: 07/03/2017 02:18 PM

Status: Submitted

Last Updated: 07/05/2017 12:47 PM

Technical Review

Applicant: Charter Schools Development Corporation (U354A170008)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	35
Quality of Project Services		
1. Project Services	15	14
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	98
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	15
Sub Total	15	15
Total	115	113

Technical Review Form

Panel #2 - CSP Credit Enhancement - 2: 84.354A

Reader #2: *****

Applicant: Charter Schools Development Corporation (U354A170008)

Questions

Selection Criteria - Quality of Project Design and Significance

- 1. Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers-**
 - 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;**
 - 2. The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**
 - 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;**
 - 4. The extent to which the project is likely to produce results that are replicable;**
 - 5. The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**
 - 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 more than would be accomplished absent the program;**
 - 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 4303(g)(2) of the ESEA, as amended by the ESSA; and**
 - 8. The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.**

Strengths:

The applicant has previously received five prior federal credit enhancements \$10 million in 2002, \$5 million in 2004, \$6.6 million in 2006, \$2 million in 2011 and \$5 million in 2016. This demonstrates their success in being awarded funds for the program's purpose. (page e25) They have successfully contributed to the charter school movement by providing highly leveraged facility financing and turnkey real estate development solutions with previous grants.

Lower financing 100% loan-to-value ("LTV") is planned to reduce the overall costs to schools. (page e29) The senior financing at an average of 4.5% is a cost savings being passed on to the schools.

The proposed grant will reduce CSDC's overall cost of funds for sub-debt to approximately 5% and these cost savings will pass directly through to its client schools in the form of lower lease expense. (page e47) Additionally, they cover administrative costs more than the grant's 2.5% through their business activities. (page e47)

They use a "Building Block Fund" in the amount of \$29.6 million in providing national revolving credit enhancements. This was initially capitalized with philanthropic funding from the Ewing Marion Kauffman Foundation and Daniel Fund as strategic partners. (page e25) This is a clear indication that their program is replicable.

The applicant is requesting \$5 million to delivery nonprofit turnkey real estate development projects to 23 charter schools. This along with subordinated loan pool of \$10 million is expected to be leveraged to \$115 million in financing. (page e29) The previous experience indicates that they will continue to leverage funds and produce results that are replicable.

The applicant has developed a "Logic Model" with realistic assumptions that will result in intended outputs and outcomes that result in lower cost facilities available to charter schools. The measurable goals, objectives, and timelines are reasonable for the program. (page e36-e40) The information also presented also confirmed that the implementation plan and activities are successful

The applicant clearly defines measurable goals and objectives which details their target market and loan structure. (pages e36-e39) This information defines criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given and leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program.

The applicant has provided financing for over 170 separate charter school facility projects I 26 states including the District of Columbia. This includes track record for serving the highest risk segment which includes; new and early stage schools serving predominately low-income students. They work in states with strong charter school laws. (page e45) They demonstrate that they serve markets with strong charter school laws. The Center for Education Reform assigns states grade letters. The National Alliance for Public Charter Schools ranks based on 20 components. The table (page e46) shows states falling in these categories; DC, AZ, IN, MN, and CO, will be prioritized for assistance.

The application does not address upcoming requirements for ESSA, however nothing has officially been approved. However, 60% of CSDC's cumulative credit enhancement and facilities have been located in 5 of the 6 top ranked states by CER.

Weaknesses:

No weaknesses were found in this area.

Reader's Score: 35

Selection Criteria - Quality of Project Services

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

- 1. The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- 2. The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- 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; and**
- 4. The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

Strengths:

CSDC's products are tailored to meet the needs of members' constituents and the President and CEO of the National Alliance for Public Charter Schools recognizes them a leader. (page e50) This along with the financial stability of the organization documents their capability to continue to address the needs of charter schools served.

As evidenced by the letters of support (pages e361-e391) included in the applications, it's evident that charter schools, chartering agencies, and charter support groups were consulted for the grant proposal. The Grant will first fund a loss loan reserve to leverage a new \$10 million subordinated debt fund. (page e29) The fund had input from many sources, including testimonials from recognized leaders, and existing CSDC funded schools.

CSDC's lease terms are below market, assuring boards that their school leaders can focus on producing strong

educational programs and solid academic results. The burden of financial pressures of fluctuating interest rates and other issues are taken on by the applicant. School leaders can focus on educational programs (page e49).

Technical assistance being provided to the schools is clearly detailed in the application. This includes; 1) site feasibility analysis; 2) affordability analysis; 3) construction budget review; 4) construction budget review; 5) short versus long term facilities planning. (page e51) This demonstrates their experience in the field.

Weaknesses:

More quantitative data is needed on their target market.

Reader's Score: 14

Selection Criteria - Capacity

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

Strengths:

The applicant has a strong track record of serving high impact, high quality charter schools, especially new and early stage schools. To date they have received the most grant funding under the program in the amount of \$28.6 million from five separate funding rounds. (page e56) This demonstrates their documented ability in this area.

Products were successfully designed to help secure funding from private capital investors and traditional funding sources. The program often assisted schools in securing their first leased facility. (page e56) The existing products take different forms to address the specific needs of each school. These include; 1) first loss/debt service payment reserves; 2) lease payment reserves equivalent to 6-12 months' rental payments; 3) gap collateral to secure lender's financing that cannot exceed 70-75% LTV based on appraisal; and 4) collateral to secure leasehold improvements. (page e57) This demonstrates sound financial stewardship in determining the program participants.

Most recent audits confirm full compliance with reporting requirements, cite no internal control deficiencies, and no instances of non-compliance with Government Auditing Standards. (page e 57) As of 12/31/16 they reported \$174 million in Total Assets and \$44 million in Net Assets. The delinquency rate was 1.8% which is below the 7% industry standard.

They are financially stable.

They have a rigorous internal review and risk management process for schools in their portfolio. Internal control procedures help with the early detection of write-offs. Early detections of financial issues help mitigate delinquencies. (page e59)

The conflict of interest by employees and board of directors meets program guidelines. (page e62) and (page e243) The applicant has a Business Ethics policy from their handbook which governs potential conflicts of interest at all the staff levels. Policy prohibits directors, officers, or staff from participating in any vote, decision or transaction in which any family has a conflict of interest. This prevents them from appearing to have material financial or economically have benefited in business with CSDC or its affiliates.

As of 9/30/16, CSDC funded over \$62 million in credit enhancements from the \$23.6 million in grants awarded. This includes leveraging \$482 million with 4.6% of the client's schools having less than three years of operating experience, and 41% of receiving enhancements for leasehold improvements. The translates to the successful development of over 60,000 student seats and 6 million square feet of safe affordable educational facilities across its programs. (page e63)

Weaknesses:

No weaknesses were found in this area.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

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

- 1. The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**
- 2. The staffing plan for the grant project.**

Strengths:

Staffing and qualifications include the original Project Director who have worked with them for 13 years and other personnel with loan origination and financial experience. The support staff of 11 full time employees have worked with the company demonstrating the stability and depth of the organization. (page e 46-47)

The staffing for this grant project is sufficient to guarantee its success. They have projected additional needs to manage the new portfolio additions. There are plans to hire a new project manager in Q1 FY18. This person will be in charge of the development and completion of projects. CSDC is positioned to grow from 11 FTE to 12 FTE within 18 months. (page e66)

Weaknesses:

The current staff can manage existing loans in the portfolio but new staffing is needed to deliver projects supported by the FUND. (page e67)

They lack relevant school based teaching or leadership experience on the staff. This is needed to effectively manage the project.

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

1. In accordance with 34 CFR 75.105(b)(2)(ii), this priority is from 34 CFR 225.12. For FY 2017 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

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 by the No Child Left Behind Act of 2001 (NCLB).
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
3. The extent to which the applicant would target services to communities with large proportions of students from low-income families.

Note: With regard to paragraph (1), consistent with the transition authority in section 4(b) of the ESSA, through the 2017-2018 school year, the Department will allow applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility.

After school year 2017-2018, the Department will require an applicant that receives points under this priority and receives a grant under this competition to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

CSDC promotes community development nationally by targeting and providing funds to finance 1) public charter schools enrolling and serving most students eligible for federally subsidized free or reduced lunch; 2) public charter schools located in economically distressed census tracts; and/or, 3) public charter schools in communities with many poor performing schools. (page e17) The applicant provided geographic examples of charter schools served. (page e18-21)

CSDC does not limit its geographic coverage and focuses on serving charter schools in states with strong laws. 60% percent of their projects have been in 5 of the top 6 states as ranked by CER. (page e17)

Historically, 68% of the schools served have low-income income students. (page e22) The table included serves as documentation that they serve the existing market and will use these funds if awarded in the same manner. (page e22)

CSDC promotes community development by targeting and providing financing charter schools. 60% of the cumulative credit enhancement and facilities are ranked in 5 of the 6 top ranked states by CER. They currently serve a disproportionate number of schools in geographies with low proficiency ratings and will continue to market this segment.

They have served charter schools and have philanthropic strategic partners which include the Kauffman Foundation, Daniels Fund, Calvert Foundation, Communities at Work, the Walton Family Foundations, Sallie Mae Fund, and the

Albertson Foundation. (page e23) Funds have been received from these sources in the past.

The application does not address upcoming requirements for ESSA, however nothing has officially been approved. However, 60% of CSDC's cumulative credit enhancement and facilities have been located in 5 of the 6 top ranked states by CER.

Weaknesses:

No weaknesses were found in this area.

Reader's Score: 15

Status: Submitted
Last Updated: 07/05/2017 12:47 PM

Status: Submitted

Last Updated: 07/05/2017 02:21 PM

Technical Review

Applicant: Charter Schools Development Corporation (U354A170008)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	35
Quality of Project Services		
1. Project Services	15	15
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	13
Sub Total	100	98
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	15
Sub Total	15	15
Total	115	113

Technical Review Form

Panel #2 - CSP Credit Enhancement - 2: 84.354A

Reader #3: *****

Applicant: Charter Schools Development Corporation (U354A170008)

Questions

Selection Criteria - Quality of Project Design and Significance

- 1. Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers-**
 - 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;**
 - 2. The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**
 - 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;**
 - 4. The extent to which the project is likely to produce results that are replicable;**
 - 5. The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;**
 - 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 more than would be accomplished absent the program;**
 - 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 4303(g)(2) of the ESEA, as amended by the ESSA; and**
 - 8. The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.**

Strengths:

The applicant provides access to better rates and terms three ways: the use of \$16.6 million in prior credit enhancement grants to partially guarantee debt financing from commercial banks, the ability to offer subordinate debt at a rate up to 200 basis points lower than market rate financing, and through the use of New Markets Tax Credits to forgive a portion of the overall debt at the end of year seven of the program, thereby creating instant equity in the borrower in the form of a reduced purchase price.

The applicant clearly presents specific, measurable and appropriate goals in their Logic Model found at page e74 and in the program summary at page e36. They are to increase the volume of affordable capital to provide subordinate debt at identifiable intervals, to serve charter schools located in specific geographic areas that demonstrate substandard state assessment test results, low income demographic criteria, and/or characterized as economically distressed under the New Markets Tax Credit program.

The applicant has a strong history of achieving successful objectives based upon its history as a five- time credit enhancement grantee. They have leveraged prior grant funds 20:1 with a historical loss rate of 1.8%. In other words, their funding model works. Page e38

The project is likely to achieve the objectives stated based upon the history of the applicant in administering prior grant awards and the methodology it has utilized. Page e-39

The applicant plans to concentrate assistance on the highest perceived risk segment of the charter school market, new and early stage charter schools serving predominantly low income populations. Underwriting and due diligence factors will provide review template or relevant factors in school selection. Additionally, the applicant plans outreach to Charter Authorizing agencies, charter school associations, education philanthropies and other interested stakeholders to identify program participants.

The CSDC nonprofit development model has been successfully used over the life of the organization and has attracted bank and philanthropic partners who leverage public dollars. The applicant has included letters of support from these institutions. See page e361-e383

The applicant is concentrating on serving schools that serve low-income minority students and families and are in compliance with ESEA requirements as amended by the ESSA. The specific jurisdictions the applicant plans to serve from this application are in DC, AZ, IN, MN and CO, all states with strong charter school laws. The applicant did not discuss ESSA because it has not been approved for implementation.

The applicant states the overall cost of funds for subordinated debt will be 5% which is significantly below market rate. Administrative costs more than the allowable 2.5% will be covered by revenue from existing programs for example loan origination fees, spread income and the development, leasing and sale of turnkey development projects outside of this grant to charter school tenants.

Weaknesses:

Weaknesses-none

Reader's Score: 35

Selection Criteria - Quality of Project Services

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

- 1. The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- 2. The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- 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; and**
- 4. The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

Strengths:

The applicant has a strong history of providing assistance to public charter schools to acquire and finance facilities at the lowest possible cost. In 2008 CSDC created its turn-key development program to provide below market lease rates in which charter schools can gain operational experience and purchase the facility when it becomes more established and creditworthy. The applicant plans to utilize grant funds to leverage an initial subordinated loan pool of \$10 mm, that in turn, leverages approximately \$115 mm in new private sector senior financing at below market rates to finance 100 % LTV transactions and reduce overall facilities costs to schools.

The applicant provides access to better rates and terms three ways: the use of \$16.6 million in prior credit enhancement grants to partially guarantee debt financing from commercial banks, the ability to offer subordinate debt at a rate up to 200 basis points lower than market rate financing, and through the use of New Markets Tax Credits to forgive a portion of the overall debt at the end of year seven of the program, thereby creating instant equity in the borrower in the form of a reduced purchase price.

The applicant clearly presents specific, measurable and appropriate goals in their Logic Model (pg. e74) and in the program summary. (pg. e36) They are to increase the volume of affordable capital to provide subordinate debt at identifiable intervals, to serve charter schools located in specific geographic areas that demonstrate substandard state assessment test results, low income demographic criteria, and/or characterized as economically distressed under the New Markets Tax Credit program.

The applicant has a strong history of achieving successful objectives based upon its history as a five- time credit

enhancement grantee. They have leveraged prior grant funds 20:1 with a historical loss rate of 1.8%. In other words, their funding model works. (Page e38)

The project is likely to achieve the objectives stated based upon the history of the applicant in administering prior grant awards and the methodology it has utilized. (Page e-39) The applicant plans to concentrate assistance on the highest perceived risk segment of the charter school market, new and early stage charter schools serving predominantly low income populations. Underwriting and due diligence factors will provide review template for relevant factors in school selection. Additionally, the applicant plans outreach to Charter Authorizing agencies, charter school associations, education philanthropies and other interested stakeholders to identify program participants.

The CSDC nonprofit development model has been successfully used over the life of the organization and has attracted bank and philanthropic partners who leverage public dollars. The applicant has included letters of support from these institutions. See page e361-e383

The applicant is concentrating on serving schools that serve low-income minority students and families and in compliance with ESEA requirements as amended by the ESSA. The specific jurisdictions the applicant plans to serve from this application are in DC, AZ, IN, MN and CO, all states with strong charter school laws.

The applicant states the overall cost of funds for subordinated debt will be 5% which is significantly below market rate. Administrative costs more than the allowable 2.5% will be covered by revenue from existing programs.

Weaknesses:

Weaknesses-none

Reader's Score: 15

Selection Criteria - Capacity

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

Strengths:

Given the applicant's prior program funding success and results, there is no doubt that they have wide and deep experience in their proposed activities. They are the second largest recipient of credit enhancement grant funding by dollar amount.

A review of the applicant's consolidated financial statements and audits cite no internal control deficiencies and no instances of non-compliance with government auditing standards. See page e-147. As of 12/31/16 the applicant reported

a deployment ratio of 85% which is indicative of a strong demand for their financial products. Their portfolio delinquency rate is 1.8% which is well below the CDFI industry rate of 7%.

The applicant has aggressive due diligence and underwriting policies which mitigate against unwarranted risk in loan underwriting. This allows them to accurately assess credit risk and make sound credit decisions. As previously mentioned, their delinquency rate of 1.8 % is well below CDFI financial industry standards speaks to the effectiveness of their portfolio and financial management strategies. The applicant has assembled a strong project team with deep experience in education and education policy. This, along with their underwriting, and due diligence policies allow them to successfully evaluate the likelihood of success of a charter school.

The applicant is governed by a conflict of interest policy that makes all violators subject to all appropriate legal, corporate sanctions and remedies. See page e246

The applicant's previous grant performance is exemplary, having leveraged over \$62 mm in credit enhancements from its original \$23.6 million in grants.

Weaknesses:

Weaknesses-none

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

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

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

2. The staffing plan for the grant project.

Strengths:

The applicant has assembled a high-quality project team with substantial real estate, capital markets and education expertise. Complete resumes are provided. The senior project manager has over 25 years of experience in loan origination deal structuring and capital markets. Additionally, support staff has substantial capacity to handle existing and future tracking, deployment and reporting of grant funds.

The staffing plan is included at page e66.

Weaknesses:

The applicant plans to hire a new project manager in the first quarter of FY 2018. Responsibilities for that position will include development and completion on real estate projects on time and within budget. They also plan to hire a new full time accountant to address project accounting, accounts receivable, and cash reconciliations for their FUND program.

Reader's Score: 13

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

1. In accordance with 34 CFR 75.105(b)(2)(ii), this priority is from 34 CFR 225.12. For FY 2017 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

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 by the No Child Left Behind Act of 2001 (NCLB).
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
3. The extent to which the applicant would target services to communities with large proportions of students from low-income families.

Note: With regard to paragraph (1), consistent with the transition authority in section 4(b) of the ESSA, through the 2017-2018 school year, the Department will allow applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility.

After school year 2017-2018, the Department will require an applicant that receives points under this priority and receives a grant under this competition to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

The applicant's Board of Directors approved policy directly corresponds to all three of the competitive preference priority categories:

To target and provide financing to public charter schools enrolling and serving a majority of students eligible for federally subsidized free or reduced price lunches. Historically 68% of the schools served by the applicant have a majority of low income students, consistent with the organization's mission.

Public charter schools located in economically distressed census tracts. At least 70% of the schools financed through this grant will meet criteria including having a majority of low income students.

Public charter schools located in communities with many poor performing district schools. The applicant used external data to identify with the worst educational options for families based on graduation rates, test scores, per pupil spending. The applicant is working in five out of ten of the states.

Weaknesses:

Weaknesses-none

Reader's Score: 15

Status: Submitted
Last Updated: 07/05/2017 02:21 PM

