

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

Status: Submitted

Last Updated: 07/03/2017 12:22 PM

## Technical Review

**Applicant:** Massachusetts Development Finance Agency (U354A170001)

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

	<b>Points Possible</b>	<b>Points Scored</b>
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design and Significance</b>		
1. Project Design	35	32
<b>Quality of Project Services</b>		
1. Project Services	15	12
<b>Capacity</b>		
1. Capacity	35	33
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	13
<b>Sub Total</b>	100	90
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority</b>		
1. Competitive Preference	15	13
<b>Sub Total</b>	15	13
<b>Total</b>	115	103

# Technical Review Form

Panel #1 - CSP Credit Enhancement - 1: 84.354A

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

Applicant: Massachusetts Development Finance Agency (U354A170001)

## 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 proposes to offer its current guarantee program and a subordinated debt product (pg e31-32).

The applicant includes specifics about terms, but not rates. The guarantee allows schools to contribute just 10% equity for leased facilities and to achieve 120% LTV on owned facilities. The applicant proposed to collect just a 50 basis point fee, notwithstanding normal commercial rates of 1.25 to 1.75 without credit enhancement (pg e31-33).

The applicant has a goal to fully obligate the \$8MM grant within the first three years. Its timeline calls for awarding a minimum of three guarantees or loans each of the first two years and two in the third year. The applicant intends to achieve a 7:1 leverage, \$1MM enhancement to leverage \$7MM in loans or bonds per school supported. The applicant will also maintain a pipeline of 15 potential charter school transactions (pg e19-20).

The applicant has a documented track record with established charter school partnerships in Massachusetts and the participation of 17 banks to demonstrate the likelihood that the applicant will achieve its intended results and further the purposes of its Credit Enhancement Program (pg e26).

The applicant makes a reasonable case that its state-based program that partners with the state charter school association and statewide authorizer and leverages private philanthropy is replicable in other similarly situated states (pg e23).

The applicant uses the appropriate selection criteria, which are consistent with the competitive preference priority, to determine which schools to target for support. The applicant also prioritizes smaller schools that have difficulty accessing capital. Other criteria include total school revenues, the project's ability to attract financing and the school's capacity to carry the proposed debt (pg e24).

The applicant commits to make a matching contribution. It has a demonstrated history of this (\$11MM match to date) as well as high leverage for each of its previous grant awards, 21:1 in 2003, 8:1 in 2012, 7:1 in 2015. It has worked with 17 banks and it projects a 7:1 leveraged fund ratio under the proposed 2017 grant (pg e26-26).

The applicant points to the State's strong reputation for comprehensive charter school monitoring and data collection processes. Recent legislation raised the cap on charter school growth, doubling it in the lowest performing districts. The State has received 102 applications for new schools in the last 7 years versus 77 in the preceding 7 years. The applicant also cited several published studies showing charter school attendance in MA boosting college readiness and that MA charters benefit even the most disadvantaged special needs students (pgs e27-28).

The applicant points to a cash flow pro forma that show staffing and other administrative expenses significantly below interest and fee income (pg e28, Attachment 9).

#### **Weaknesses:**

The applicant includes a quarterly grid of its plan, but does not go into specifics about its implementation (pg e22).

The applicant did not explain how its financing activities would increase the variety of charter schools (pg e26).

**Reader's Score: 32**

#### **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 used all previous federal funds and has committed almost all private funds available. It references a pipeline need for \$33MM in credit enhancements of which a majority of projects meet the competitive preference priority. Its \$8MM request is in line with needs (pg e29).

Applicant demonstrates that it understands the charter school financing market and that it has grown the market of banks willing to participate to 17 (pg e30-31).

The applicant demonstrates support from a variety of charter schools and support organizations (attached letters of

support). It maintains a Charter School Advisory Board, which was first established in 2003, that meets semi-annually to discuss the pipeline and review compliance reporting (pg e31-32).

The applicant's technical assistance encompasses real estate consulting, low interest predevelopment loans to pay up-front soft costs, low cost remediation loans through the Brownsfields Redevelopment Fund, access to financing 1-2% below traditional loans, management of the school financing expense, including keeping upfront costs low. Such services reflect cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms (pg e32-33).

The applicant will target schools that meet the competitive preference priority (pg e33, 49).

**Weaknesses:**

The applicant did not include details on how it will select applicants with a high degree of academic success (pg e33).

**Reader's Score: 12**

**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, founded in 1998, has supported 23 charter schools with credit enhancements totaling more than \$46.3MM.

In addition to CEP grants, the application helps ensure charter schools within the State receive facilities funding through having issuing \$630.7MM in tax-exempt bonds and QZABs on behalf of 42 charter schools and making 23 direct loans of \$20.4MM to charter schools, including loans for leasehold improvements for leased charter school facilities, and loans through a TechDollars Program for their technology needs.

The applicant is financially stable with a strong balance sheet and clean audits. Its underwriting, loan monitoring and risk mitigation procedures are sound, including guidelines for collateral standards, minimum debt service and LTV, monitoring at least once annually and development of a risk profile for each school with ratings on a 1-6 scale. Interventions are

scaled in accordance with the ratings. Losses overall amount to less than 2% of its portfolio in the past five years, but there have been no losses paid on credit enhancements (pg e36, 38, Attachment 11).

The applicant has proper conflict of interest and ethics provisions for employees and board members, which require written disclosure and recusal from situations that might present an appearance of impropriety (pg e38-41, 44).

The applicant provides thorough documentation by transaction and reports to have fully utilized all CEP funds previously authorized. Monies are being recycled in line with projections as well (pg e45-46, APR Attachments).

**Weaknesses:**

The role of the education partners are not well-defined in terms of how they support the applicant in the implementation and success of the grant project (pg e42-43, e110).

**Reader's Score: 33**

**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 same project director has overseen all three prior CEP grants, providing for stability and continuity. Other key staff are identified who have the requisite expertise in capital markets, community development lending and real estate financing (pg e47 + resumes).

The applicant's staffing plan includes an organizational chart and a brief description of how functions are managed (pg e47-48, Attachment 4).

**Weaknesses:**

Aside from the project director, more clarity is needed about whom the charter schools interact with for technical assistance and other support (pg e47).

The applicant does not maintain staff directly involved in education (pg e48).

**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 makes a commitment to use all new grant funds for charter schools that fit one or more of the NCLB-related criteria. More than 70% of schools it has historically served were in low-income communities (pg e19, 34).

**Weaknesses:**

The applicant did not include details of its targeting approach and did not address targeting related to comprehensive or targeted support and improvement under ESSA amendments (pg e19, 34).

**Reader's Score:** 13

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**Last Updated:** 07/03/2017 12:22 PM

Status: Submitted

Last Updated: 07/05/2017 12:58 PM

## Technical Review

**Applicant:** Massachusetts Development Finance Agency (U354A170001)

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

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design and Significance</b>		
1. Project Design	35	32
<b>Quality of Project Services</b>		
1. Project Services	15	12
<b>Capacity</b>		
1. Capacity	35	33
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	13
<b>Sub Total</b>	100	90
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority</b>		
1. Competitive Preference	15	13
<b>Sub Total</b>	15	13
<b>Total</b>	115	103



# Technical Review Form

Panel #1 - CSP Credit Enhancement - 1: 84.354A

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

Applicant: Massachusetts Development Finance Agency (U354A170001)

## 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 Massachusetts Development Finance Agency ("Mass Dev") provided extensive information (pages e16-19) about their proposed financing program would provide financing to charter schools at better terms and rates and how this would successfully build on the three previous rounds of financing awarded to them. This included details about the two products they plan to focus in a new grant award: their current guarantee program and a new subordinated debt product. They specifically noted (page e16) how their loan guarantee would facilitate loans up to 120% of the collateral value.

The goal of funding eight charter school projects over the three-year life of the project (page e19) seems reasonable and is in line with the project activity during the three previous grants awarded to Mass Dev. The Activity Task timeline (page e20) was very helpful and also seems reasonable.

Applicant has clearly explained (page e25) how additional sources of funds would be obtained in a new round of funding via the charter enhancement funding program based on performance in the last round of funding. This will include a \$8mm contribution from Mass Development as well as \$4mm from the Boston Foundation, and approximately \$300mm in private dollars raised via bonds and loans issued to charter schools.

Throughout this section, Mass Dev outlined plans to focus on funding for charter schools in the neediest communities in the Commonwealth.

The Massachusetts charter school program is highly ranked (page e26) in the US by the National Alliance for Public Charter Schools for charter school monitoring and debt collection.

**Weaknesses:**

In this section, Mass Dev could have included a chart showing how USDOE funds were deployed in the previous grant and how that may be different in the new grant proposal.

Applicant did not indicate whether Massachusetts is considered a state with strong charter laws consistent with the criteria in section 4303(g)(2) of the ESEA as amended by the ESSA.

Mass Dev could have provided a more detailed explanation why they seek funding in the current proposal for a new subordinated debt program (page e16.)

Mass Dev could have provided a chart or graph to illustrate exactly how their guarantees would reduce interest costs on a 2017 hypothetical transaction(s.) (See page e18.)

**Reader's Score: 32**

**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:**

Mass Dev identified the financing needs of the charter schools (pages e29-30) including how the credit enhancement program will cover the gap in needed financing for charter schools. Mass Dev also noted (page e30) the existing pipeline and need for an additional \$33 million in credit enhancements in the Commonwealth.

Applicant lists (page e32) a broad range of technical and supporting services to be made available to the charter schools including: assistance with real estate development, funding for up-front costs and technology expenses, etc.

Applicant does state their intention (page e33) to focus on charter schools exhibiting the most needs per the guidelines of the Competitive Preference Priority.

Mass Dev notes plans (page e33) to work with the Massachusetts Department of Elementary and Secondary Education (DESE) to establish criteria for the selection of charter schools to participate in the financing program.

**Weaknesses:**

Mass Dev did not indicate whether or not they conducted focus groups or other specific meetings with the charters to try and identify their current financing needs (page e29.)

Applicant did not specifically state that they would focus on charter schools "with a likelihood." (See page e33.)

Reader's Score: 12

**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:**

Mass Dev has an excellent track record providing charter school credit enhancements (page e34.) They have received three previous charter school financing enhancement grants from the US Dept. of Education.

Mass Dev has an A+ credit rating from Standard & Poors (page e38.) That credit rating is an important measure from the national financial community of applicant's financial stability and the soundness of its loan underwriting and management policies.

Applicant outlined (pages e38-39) a very complete and methodical risk management process and one that provides important credit monitoring features. This includes requiring a charter applicant for financing to provide a letter from the Mass Dept. of Elementary and Secondary Education indicating that they are in good standing. All loans to charters are rated on a 1-6 scale (page e39) with riskier loans in the 5 or 6 category requiring quarterly reviews by Mass Dev senior lending officers. These are important loan controls.

Mass Dev detailed (page e44) standards of conduct to monitor and prevent conflicts of interest.

**Weaknesses:**

Applicant noted (page e16) their plans to offer a new subordinated debt product with funds obtained via this new USDOE financing road. However, they did not discuss their capacity and experience with this particular lending product.

Similarly, applicant has not explained their experience with guaranteeing leases.

Applicant did not explain (page e40) how many of their past-due loans represent loans to charter schools.

**Reader's Score: 33**

**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:**

Rebecca Sullivan, SVP at Mass Dev., has successfully managed the agency's relationship with the US Dept. of Education Charter Schools Credit Enhancement grant program since 2003. During her tenure, Mass Dev has received multiple grant awards. Therefore, it may be concluded that she is exceptionally well-qualified to manage a new award (page e47.)

Applicant has also provided (page e48) a very useful chart to identify the other key managers participating in the charter schools financing program.

A staffing plan was provided in the Appendix.

**Weaknesses:**

There was no discussion (page e48) about any members of the senior staff who are experienced public school/charter school educators.

**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:**

Applicant clearly puts forth (page e34) their plan to identify charter schools in Massachusetts with the greatest need based on: NCLB, low performance on state examinations, and/or communities with large percentages of students from low-income families.

**Weaknesses:**

Applicant did not directly state if they will apply those three standards to the backlog/pipeline of projects proposed for financing via the new grant funding.

**Reader's Score: 13**

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**Status:** Submitted  
**Last Updated:** 07/05/2017 12:58 PM

Status: Submitted

Last Updated: 07/10/2017 02:40 PM

## Technical Review

**Applicant:** Massachusetts Development Finance Agency (U354A170001)

**Reader #3:** \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design and Significance</b>		
1. Project Design	35	32
<b>Quality of Project Services</b>		
1. Project Services	15	13
<b>Capacity</b>		
1. Capacity	35	32
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	14
<b>Sub Total</b>	100	91
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority</b>		
1. Competitive Preference	15	10
<b>Sub Total</b>	15	10
<b>Total</b>	115	101

# Technical Review Form

Panel #1 - CSP Credit Enhancement - 1: 84.354A

Reader #3: \*\*\*\*\*

Applicant: Massachusetts Development Finance Agency (U354A170001)

## 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:

Information provided by the applicant demonstrates the terms of the assistance are better than the market's, which includes: lower interest rates, higher loan-to-value ratios, and higher annual guarantees (page e16). The cost of financing will be lower.

The applicant, although it uses alternative terms "measure" and "target" (on page e19), identifies goals and the objectives for each goal which are clearly measurable, such as: targeting 8 schools for facility work; promoting the program; seeking 3 applicants each year; and, awarding a minimum of 3 guarantees or loans each year.

The identified "target" and "action" items are clear, as is the timeline for starting and finishing each (page e19). The start and finish times provide for more precise measurement.

The implementation plan, continued and expanded from the existing program based on a previous grant, will likely achieve project objectives. These include: policies and procedures, marketing, business development/implementation, project underwriting, risk management, and financial and program compliance reporting (pages e21-e22).

The model is based on establishing more relationships and partnerships. A model such as this can be replicated in other states (page e23).

The criteria for selecting projects—serving schools that have been identified for improvement, serving students who perform below proficient on the state's academic assessments, and serving low-income students—is in line with the goals

of the Credit Enhancement for Charter Schools Program , including serving students with the highest need (page E23).

The applicant demonstrated its ability to leverage private and other public funds by explaining how it did so with its past three grant awards (page e25). Mass Development leveraged \$214 MM with \$10MM, for a ratio of 21:1.

The applicant will serve charter schools in Massachusetts which has developed and is improving its charter laws. A recent revision has led to an increased the number of students served and allowed special features of charter schools to be recognized as being successful (page e28).

**Weaknesses:**

The applicant did not explain how it would determine the type or amount of assistance to be made to each of the targeted schools (page e24).

The applicant did not explain how financing activities would increase the number or variety of charter schools served (page e26).

The applicant merely states that the grant awards have had low expenses (page e29). This general statement does not allow a determination of the reasonableness of the project cost to be made.

**Reader's Score: 32**

**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 services address the identified needs of the charter schools including: more funds for pipeline projects, lower interest rates, longer terms on debt beyond the 5-year charter, and more financiers willing to purchase bonds (page e29).

MassDevelopment manages most of Massachusetts' public financing and real estate programs so it is able to offer additional funds and some technical assistance on related matters, lowering some costs and offering lower interest rates (page e32).

**Weaknesses:**

The applicant discussed the 2003 application which involved the Massachusetts Charter Public School Association, the Massachusetts Department of Elementary and Secondary Education Charter School Office, and 40 charter schools; but it did not state that any organizations or schools were involved in the design of this project (page e31).



The applicant states that it will target schools that meet the competitive priority; however, it did not justify how it would assist schools with a likelihood of success (page e33).

Reader's Score: 13

### 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 strong experience facilitating finance for over 50 years, including charter schools. Since 1995 it has been involved in facility financing to charter schools, and loan credit enhancement to charter schools (page e34).

The applicant maintains a good credit rating. Although its assets, liabilities, revenues, and expenses fluctuate annually depending on activities, it maintains a net position of \$465M of assets above liabilities (page e129 and page 18 of Financial Statements).

The applicant protects against unwarranted risk using and criteria documented in a Loan Policy Manual (page e80), and by following established procedures: uses standardized application; follows established approval process; monitors loans/guarantees; assigns risk rating; internal and external credit reviews are performed; monthly reporting and analyses on loans/guarantees; and monitors loan loss reserves, past due payments, and risk changes (page e41).

Massachusetts General Law 268 A (pages e111-e128) applies to the applicant. The law provides direction on numerous situations in order to avoid conflicts of interest. Employees and board members are required to complete on-line ethics training bi-annually (page e44).

The applicant leveraged \$13.65M for every \$1M in grants. It served 26 (page e46) or 27 (from annual reports) charter schools since the 2003 grant. There was only 1 delinquency/default which was resolved not costing anything (page e57).

**Weaknesses:**

The applicant discusses many of its organization’s activities including loans and guarantees for real estate and equipment projects, funding loans and guarantees from multiple sources (page e35), loans and loan guarantees to charter schools, issuing conduit bonds that assume no credit risk (page e36), issuing bonds with or without enhancement, but it makes no reference to guaranteeing leases.

The applicant does not have direct experience evaluating the success of a charter school; however, it maintains a partnership with the Massachusetts Charter Public School Association and the Department of Elementary and Secondary Education (page e43). Roles are identified in the logic model (page e110). Evaluating the success of a charter school is not specifically identified in the narrative section of the application or in the logic model.

The applicant provides a list of financing and marketing activities it has performed for the program. It did not discuss how it ensures that charter schools within the State receive the funding needed to obtain adequate facilities (page e45).

**Reader's Score: 32**

**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 provides staff well-experienced with the requirements to operate the Credit Enhancement Program since 2003. Personnel have the skills to perform the following functions: program management, leading partnerships, promotion and marketing, grant administration, credit analysis, lending, and filing reports (page e47).

The applicant’s staff has many years of experience administering the existing program. Numerous employees administer all aspects of the program: investment banking/bonds; lending; portfolio administration (loan balances, billing/payment); financial reporting; audits; and legal counsel (page e48).

**Weaknesses:**

The applicant does not maintain staff directly involved in education (page e48).

**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:**

The applicant identified the priorities, in each of the three areas, it would give for serving schools with the greatest need.

**Weaknesses:**

The applicant stated it would target charter schools in geographic areas in which a large proportion of schools have been identified for improvement, corrective action, or restructuring (page e49). It should have defined "large proportion"

Mass Development stated it will give priority to schools in geographic areas in which a large proportion of students perform below proficient on academic assessments. It should have defined "large proportion."

The applicant stated it will give priority to schools in communities with large proportions of students from low-income families. It should have defined "large proportion."

**Reader's Score:** 10

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