

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

Status: Submitted

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

Technical Review

Applicant: RAZA DEVELOPMENT FUND (U354A170010)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	28
Quality of Project Services		
1. Project Services	15	14
Capacity		
1. Capacity	35	31
Quality of Project Personnel		
1. Project Personnel	15	12
Sub Total	100	85
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	12
Sub Total	15	12
Total	115	97

Technical Review Form

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

Reader #1: *****

Applicant: RAZA DEVELOPMENT FUND (U354A170010)

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:

Raza Development Fund (RDF) has a twenty year history in charter credit enhancement serving as a national leader in nonprofit development in communities in need.

RDF has a twenty year track record of providing charter facilities funding and technical assistance. Their existing infrastructure and national portfolio of tiered services which includes six lending products (e20-21). Focusing on States with strong charter laws, the applicant has provided successful service delivery of the lending products to 145 charters in 22 states and they did not specifically address ESSA since the state plans have not been approved.

One of the components of the project design was to utilize partnership funding from the Bill and Melinda Gates Foundation to implement a blended capital program. This will enable RDF to provide below market rate by 13.4% (e19) which demonstrates the significance of their financial service model especially considering their focus in Washington includes providing unsecured tenant improvement loans and acquisition/predevelopment funding. (e17)

The goals (e17-18) are measurable with stated reasonable outcomes that include a rate of leveraging the resources, 15x, while supporting 3,700 new charter seats.

The all-inclusive narrative describing the policies and procedures utilized by RDF around each of its six lending tools and its delivery components (e43-56) provided a clear set of indicators of the specific wide range of services that RDF can provide charters and underlines the comprehensive support that is available to successfully meet the needs of the charter schools in all aspects of financial support.

The expansion of the past funding from three USDOE Credit Enhancement grants paired with a focus on the New Markets Tax Credit (e26) and new institutional capital partners should result in successful implementation of their state initiative in Washington. RDF has provided strong evidence of their ability to meet and exceed their commitment to utilize the funding for 13 charters over a five year time span. (e16) This would provide a comprehensive set of tools that would be replicable in other locales.

RDF has leveraged their past USDOE Credit Enhancement grants (e30) resulting in 87 funded charters and an average enhancement to leverage financing ratio of 21.95:1. This is a clear set of evidence of their expertise and an existing infrastructure to support the outcomes of this grant and provide a clearly replicable model that can be implemented in a state-wide initiative which can be replicated.

The amount requested to provide services to 13 charter schools is reasonable considering the applicant has already received a commitment from philanthropic resources totaling \$6,000,000 which they project will be levered five times. RDF has already initiated a funding portfolio in the state of Washington and developed partnerships with the Bill and Melinda Gates Foundation for additional funding support and a variety of partners who provided letters of support and lenders (e26) which strengthen this proposal.

Weaknesses:

RDF has experienced two charge offs in the last five years totaling \$893,031 and there was not a clear definition of procedures put in place to assure no other defaults or charge offs (e28).

The history of the USDOE awards of three Credit Enhancement grants in 2002, 2004, and 2006 show 82 schools financed in the first two grants but only 5 in the third (2006 grant) and no explanation as to the decline was provided (e30).

There were several areas where the national focus of the application did not provide the necessary details about RDF's personalization of its procedures to only one state – Washington. The proposal needed to provide more specifics on how the state level implementation differed from RFD's involvement in its national portfolio in areas of use of growth capital to fund operational expenses associated with expansion (e47) or use of retained earnings as permanent capital or liquidity. (e50)

Reader's Score: 28

Selection Criteria - Quality of Project Services

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

- 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:

To support the narrative regarding service delivery, RDF provided three strong examples of how their services are personalized to the schools' needs with Washington partners. (e24-25)

RDF provides services to charter schools by providing technical assistance during the loan application process and have identified eight potential participants (e25) based on the strength of their current funding within the state and their new network of strong partnerships. All services will be supported with the establishment of a staff person who will be onsite within the state.

RDF has clearly defined its financing options (e19-21) and defined six direct lending products to address the needs of charter schools in Washington.

The selection criteria provided by RDF and detailed in the application (e22) are comprehensive and paired with their history of success of the organization, will assure likelihood of success in meeting the goal of establishing 3,700 charter seats in Washington by supporting 13 schools.

Weaknesses:

While RDF does focus on funding for charter schools serving low income and minority communities, there is no written criteria included in the proposal that defines how schools were involved in the design of or support for the project including no letters of support, or information regarding how the schools in the pipeline have been identified and if they have the greatest need.

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:

RDF's has demonstrated the successful implementation of three previous Credit Enhancement grants and applies that cumulative expertise in one state-wide initiative in Washington that focuses local funders in support of charter development. RDF was chosen to provide the comprehensive funding expertise to this state based on its performance record and funded by the Gates Foundation with a \$6,000,000 grant that includes \$500,000 to fund the start-up/operating expenses for their new office in Seattle. (e27)

RDF has successfully implemented three USDOE Credit Enhancement grants (annual USDOE update reports pages e206-233) which has funded 87 schools and leveraged 21.95:1 funding (e30).

RDF has provided specific evidence of their financial stability, effective national infrastructure that includes procedural guidelines, policies, (e43) operationally defined portfolio criteria, (e44) risk management strategies, (e48) and capitalization strategies (e47).

Their cumulative loss is 1% of their capital (e28) and they have develop an internal risk management rating system and specific procedures to address risk which were comprehensive (e49) and as of September 30, 2016 95.7% of the portfolio were highly rated (e44).

The applicant detailed the processes they utilize with charters that are seeking financing in great detail which included a clear description of staff roles, and of their service delivery with a specific focus on utilization of their partners and Board of Directors (e53-55)

Weaknesses:

The dependence on "best in class" network of outside advisors (e48) as part of the charter school monitoring points out a deficiency of the organization in the area of staff expertise in educational accountability, programming, and curriculum which does impact the ability of the charter to sustain itself in the current strong accountability culture.

There were several missing components to the application. Within the extensive policy and procedures narrative (e43-56), there was no mention of or any narrative description of their procedures regarding conflicts of interests for staff, board of directors, or funders.

Also, the specific grant documents detailing the partnership with the Bill and Melinda Gates Foundation - since it is an integral part of the initiative including paying for start-up and operating expenses of the Washington based office and as a significant funding partner committing \$6,000,000. (e27) were not available for review. The proposal stated there was an attached letter of support (e26) which was missing.

Reader's Score: 31

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:

RDF has a history of successful implementation of credit enhancement strategies and its past success was based on the infrastructure it has built with a staff of experts available to provide a comprehensive list of services to charters.

There is an extensive national team (11 staff) who have longevity with the institution and specific expertise detailed in the proposal (e31-37).

Based on the fact that the institution has received and implemented three previous USDOE Credit Enhancement for Charter School Facilities grants, there is evidence of training and experience in providing direct services to 87 charter schools (e42) and a successful track record detailing an average of 21.95:1 for leveraging of the financial resources. (e30)

RDF has already identified eight charter school sites for assistance and leveraged funding from the Bill and Melinda Gates Foundation (e30)

The role of the Board of Directors is well defined with a specifically defined committee structure (e39-41) and there is evidence of their expertise that will enable it to serve in both a governance and advisory role.

Weaknesses:

The Board of Directors has national but no representatives from Washington which is the focus of this proposal (e39-41).

None of the Management team will be located onsite and the one staff person, who will be relocated to Washington, is one of the least experienced of the existing staff as evidenced by her short narrative. (e36)

Although the applications contains narrative about the strength of the institution and lists 11 staff members currently supporting a portfolio of 145 direct investments in 22 states, (e17) there was no indication of what percentage of their FTE will be assigned to this set of work. (chart e31 and narrative e32-38)

Reader's Score: 12

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:

This application provided a review of its past funding from the three USDOE Credit Enhancement grants revealing that Raza Development Fund (RDF) has made a total of 145 investments in 22 states.

Every charter school they have assisted in financing is a Title I eligible school. (e16) Their past portfolio focused on high-performing charters serving over 75% low incomes and at least 50% minority students. (e17)

The letters of support are all from Washington partners and are evidence of work already occurring in the new geographic focus area based on their commitment to supporting public schools serving a majority of students performing below proficient. This was strengthened with the three examples of schools that have been provided services in the past (e24-25) with an introduction to the types of services and school populations they have supported.

Under selection criteria, RDF states that they evaluate the degree of responsibility and commitment to low-income, Latino and/or other minority communities for each of its borrowers and/or guarantors. (e22) The specific types of financial evaluative criteria utilized in selecting charters to support was comprehensive and would definitely allow for the use of a data decision making model establishing an indication of fiscal competence. (e22) It lists in its Section 427 write up (Appendix) that it provides services to schools working with low income and minority students. (page e249).

Weaknesses:

The narrative did not specifically provide any data on the needs of students in Washington in terms of academics, poverty, or even a geographic focus where students performed below proficient. Based on their history and the past three USDOE Credit Enhancement grants, RDF is an organization that focuses on low-income, minority Latino families and children (e16) but the application would have been strengthened with a strong demographic and assessment data set that provided Washington state specific priorities.

The demographic or academic criteria RDF would use to identify and prioritize communities with the greatest need for choice was not explicitly stated. Even with a narrative description of three charters previously funded (e24-25) RDF did not provide any statistics comparing their new focus state (Washington)

Reader's Score: 12

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

Status: Submitted

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

Technical Review

Applicant: RAZA DEVELOPMENT FUND (U354A170010)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	28
Quality of Project Services		
1. Project Services	15	13
Capacity		
1. Capacity	35	28
Quality of Project Personnel		
1. Project Personnel	15	12
Sub Total	100	81
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	12
Sub Total	15	12
Total	115	93

Technical Review Form

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

Reader #2: *****

Applicant: RAZA DEVELOPMENT FUND (U354A170010)

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:

RDF is a three-time recipient under the United States Department of Education ("USDOE") Credit Enhancement for Charter School Program; in 2002, 2004, and 2006. This has enabled them to make a total 145 direct investments in various education projects in 22 states. (page e16) Each school RDF has financed is a Title I eligible school. (page e18) They have demonstrated the ability to provide funding to charter schools that would not have the means.

They currently have \$12 million invested in projects. (page e17) Being awarded a grant from the United States Department of Education Credit Enhancement Program will enable them to mitigate associated risk with the Washington Charter school environment, because non-federal funding levels continue to improve. (page e17) These include \$6,000,000 grant in process from the Bills and Melinda Gates foundation which will be leverage at least 5x by RDF. (page e26) They also have capital and various unsecured credit facilities that included: Bank of American, State Farm Insurance, JP Morgan Chase, Charles Schwab Bank, Deutsche Bank, Wells Fargo Bank, Ally Bank, and BBVA Compass Bank to name a few. They are targeting charter schools that serve over 75% low income and at least 50% minority students.

Their charter school activities are geographically diverse across seven states. They have demonstrated ability to leverage their funds. The interest earning from the credit enhanced portion of the loans is reinvested into schools in the form of value-added, technical assistance.

Given their size they've could be flexible with lending to charter schools. The application gives several different examples based on their area of need. They implement both a qualitative and quantitative credit assessments when working with

charter schools. (page e42) New schools and current applicants in the program undergo extensive evaluation. This includes visits and engaging strategic partners such as; the National Association of Charter School Authorizers, state department of education, state charter school associations, and school fund raisers. (page e54) These measures assure the success of project implementation.

The applicant stressed the importance of the State's Accountability System when underwriting for current operating schools. (page e54) The Director of Education & Childcare Finance team members underwrites the school curriculum, educational model, and governance for the transaction. (page e54) This guidance helps produce results that are replicable and that project costs are reasonable in relation to the objectives, design, and potential significance to the project.

The applicant has the Bill and Melinda Gates Foundation as a strategic partner who is investing \$6 million which they expect to leverage to \$30 million. These funds will enable them to deliver funds below market rate to charter schools. (page e26)

The grant request is reasonable give the current market demand.

Weaknesses:

The program design for these funds required more clarity and should have been in a separate section of the application. It would be helpful to see a pipeline or list of charter schools.

The applicant has the Bill and Melinda Gates Foundation as a strategic partner who is investing \$6 million which they expect to leverage to \$30 million. (page e26) There is no documentation of memorandum of understanding.

They are flexible in the types of loans and since there was no clear projection as the result of strategic planning to determine pricing and terms.

There have been charge offs during the last five years totaling \$893,031, however the issues and preventive measures taken are not detailed in the application.

Reader's Score: 28

Selection Criteria - Quality of Project Services

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

They implement both a qualitative and quantitative credit assessments when working with charter schools. (page e42) New schools and current applicants in the program undergo extensive evaluation. This includes visits and engaging strategic partners such as; the National Association of Charter School Authorizers, state department of education, state charter school associations, and school fund raisers. (page e54) They are using their assessment process and working with strategic partners.

Borrowers and/or guarantors must meet criteria and have a commitment to low-income Latino and/or other minority communities. They also want to assist in the development of a healthy, charter school infrastructure so that Washington State will have 3,700 quality charter schools within the next couple of years.

The application stressed the importance of the State's Accountability System when underwriting for current operating schools. (page e54) The Director of Education & Childcare Finance team members underwrites the school curriculum, educational model, and governance for the transaction. (page e54)

They work closely with clients and often see operating and financial issues before they materialize into loan defaults. The program personnel have been successful in minimizing write offs.

They provide hands-on value-added technical assistance to charter schools and other to strengthen the educational choice movement. (page e17)

The applicant demonstrates sufficient experience with portfolio management. Their portfolio management platform generates monthly reporting to management. Given the diverse portfolio, each loan is monitored closely in context the authorizing environment in which it operates. (page e47)

They have relationships with other organizations such as Green Dot, Summit Public Schools, Impact Public Schools. There is also a relationship with Bill and Melinda Gates Foundation, State Senators Patty Murray, and Maria Cantrell to ensure that they understand the current landscape and how its expected to transform.

Their involvement with New Markets Tax Credit program and the CDFI Fund Bond Guaranty Program and others shows that they have existing local financial resources. The strategic partnership and financial stewardship demonstrates the effectiveness of their fund raising risk management.

Weaknesses:

Although they have been successful, more information is preferred. They conduct business in multiple states and the application would have been easier to understand if all of the data had been specific to Washington State with a separate section highlighting the consolidated information.

Further strategic planning is needed to understand the targeted services for the grant. There is no pipeline or timeline to feel comfortable that sufficient planning has occurred. The funds are targeted only for Washington State but RDF does business throughout the U.S. (page e19) Data wasn't presented to project the number and types of charter school loans would be implemented based on anticipated needs.

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 successfully been awarded grants from the U.S. Department of Education Credit Enhancement Program: 1) for \$5,000,000, 2) for \$7,950,000, and 3) for \$1,600,000. Collectively they have been able to serve 67 charter schools, of which 30 were startups, 24 were leasehold improvement loans, and 39 were part of CMOs leveraging \$329,291,179. (page e27) They have successfully mitigated risk by have only 2 charge offs in the last five years totaling \$893,031. This shows variety in their portfolio as well.

The applicant has made over \$506 million in low-income community development impact investments in over 400 community development investments in 32 states. They currently have \$177 million in total assets under management. This demonstrates their financial stability.

The application stressed the importance of the State's Accountability System when underwriting for current operating schools. (page e54) The Director of Education & Childcare Finance team members underwrites the school curriculum, educational model, and governance for the transaction. (page e54) These relationships in addition to members of the Charter School Lenders Coalition show that they have aligned with strategic partners and resources. (page e25)

The applicant consults with the state department, state charter school association, resource centers, local authorizing authorities, and school funders and supporters. These alliances help ensure that the charter schools within the states receive the required funding. (page e53)

Weaknesses:

Although other partners are mentioned throughout the application, there are no memorandums of understanding included in the documentation. They reference that the Bill and Melinda Gates Foundation will invest \$6,000,000 which will be leveraged by RDF. However, there is no documentation.

The information presented should specifically focus on related programs. Quantitative data focusing on these target

markets along with the management structure is required.

The applicant failed to include a copy of their Conflicts of Interest policy as part of their documentation. Additionally, they have neglected to describe how it will target services under the ESEA, as amended by the ESSA.

Reader's Score: 28

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 personnel have direct experience in creating, designing, managing and rolling out charter school activities which reflects stability within the organization. (page e31-e37)

The Board of ten represents investors, lenders, business practitioners, and community development agencies. They positioned sufficient guidance for loan products and constituency. This helps RDF mitigate potential risk. (page e38-e39)

The staffing plan details satellite offices and demonstrates the effectiveness of the organization and their out-reach efforts. (page e41)

Weaknesses:

Given the amount of funding involved the staffing for the project there could have been more detail. (page e40) They are leasing space in the Innovation Center in Seattle and an experienced educational investment professional to the Pacific Northwest Region will be relocating.

They intend to hire additional staff to meet value-added client level needs. Given the structure of the organization, they need to be more specific.

Reader's Score: 12

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

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 targets charter schools that serve low-income students and families. Organizations applying should be ESEA compliant and meet specific requirements. (page e12) The overall goal is to build a strong school and motivate their students to graduate.

Each school RDF has financed is a Title I eligible school. (page e18)

Weaknesses:

The application could have been clearer about the extent to which the applicant would target services to communities with large proportions of students from low-income families. Language is too general.

Additionally, they have neglected to describe how it will target services under the ESEA, as amended by the ESSA. It doesn't appear that they have targeted this demographic.

Reader's Score: 12

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

Status: Submitted

Last Updated: 07/05/2017 02:22 PM

Technical Review

Applicant: RAZA DEVELOPMENT FUND (U354A170010)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	28
Quality of Project Services		
1. Project Services	15	11
Capacity		
1. Capacity	35	27
Quality of Project Personnel		
1. Project Personnel	15	11
Sub Total	100	77
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	12
Sub Total	15	12
Total	115	89

Technical Review Form

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

Reader #3: *****

Applicant: RAZA DEVELOPMENT FUND (U354A170010)

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 is requesting \$3,250,000 of Credit Enhancement program funds to leverage \$50 mm of capital investment in 13 charter school facilities financing in high need areas of Washington State. They are providing access to funds at a below market interest rate through the assistance of the Bill and Melinda Gates Foundation and JP Morgan Chase. Grant funds will be leveraged 15x during the first 5 years of the grant. Absent their efforts, only market rate capital would be available. Page e18

The applicant provides specific, measurable and appropriate data on the project goals and objectives it wishes to accomplish using the grant funds on page e-29. For example, the applicant proposes to provide unsecured tenant improvement loans, acquisition/predevelopment loans, secured real estate loans, bridge financing and mezzanine/subordinate loans to high performing charter schools serving over 75% low income and at least 50% minority students.

Given the nascent nature of the charter school market in Washington, the applicant is offering multiple loan products that directly address the acquisition, financing, development and tenant modifications necessary to firmly establish the market. The applicant's approach and project design are likely to yield measurable, replicable results given that their due diligence and underwriting efforts are sound. They identify multiple factors they consider during the underwriting and due diligence process on page e21-e22. Additionally, they have a 20-year history in providing charter schools facility financing. The applicant's charter school selection criteria are listed on page e21 and includes financial condition, credit standing, managerial expertise, ownership, control, governance, credit standing and strategic planning. It is highly likely given their past successful history as a three time Expanding Opportunity through Charter Schools Program grantee that they understand how to evaluate these factors to insure they understand the type and amount of assistance required by charter school recipients.

The applicant has identified multiple program partners like the Gates Foundation and the Federal Home Loan Bank of San Francisco as well as different sources of program funds like the New Markets Tax Credit and Community Development Finance Institution Bond Guaranty financing which can provide the public and private funds and support to increase the number and variety of charter schools in the state. Page e-27

Washington State has one of the strongest Charter School laws per the National Alliance for Public Charter Schools annual report (Page e-29)

Weaknesses:

The applicant provides basic information on project costs (see Table 1 page e66) interest rates and origination fees and these costs appear to be reasonable in comparison to objectives, design and potential significance. However, no mention is made regarding the cost of technical assistance fees.

The applicant experienced two charge offs last year and this was not addressed from the standpoint of revising of revising policies and procedures to mitigate risk. (Page e-27)

Reader's Score: 28

Selection Criteria - Quality of Project Services

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

- 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:

Quality of Project Services

The applicant provides comprehensive information on the factors impacting the development of the emerging Washington charter school market. Given the fact that access to capital has been difficult for these schools, the applicant's proposed use of grant funds to provide access to capital at a below market rate for tenant improvement, construction financing, subordinate mezzanine financing and long term capital is a good match for the schools to be served.

The applicant offers letters of support from the Green Dot Public School, the Washington State Charter Schools Association and Washington Charter School Development as evidence of input and support for the project. They are also a member of the Charter Schools Lender Coalition and have led discussion groups about program options to enhance lending activity in the state.

Weaknesses:

The applicant does not present any information on the proposed costs of technical assistance to determine cost effectiveness. There is insufficient information presented to answer this question.

The applicant does not provide sufficient data and information on schools in their service pipeline to determine if they are assisting schools with the greatest need or the greatest likelihood of success. Page e24-e25. They say they have eight school sites in the pipeline in need of a \$70,000,000 development budget but fail to document this assertion by identifying them

Reader's Score: 11

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 is a three-time recipient of CECS funds and has extensive experience enhancing credit on debt issuances, guaranteeing leases and providing facilities financing in Washington. For example, they completed a \$730,800 tenant improvement construction loan for Excel Public Charter School in Kent, Washington. Their second investment was a \$2,880,000 real estate secured construction loan for Summit Public Schools, a CMO. They are presently underwriting a \$6,000,000 construction for Green Dot, another emerging CMO. Page e23-e24.

Raza Development Fund is a CDFI that was incorporated in 1995 to improve the social, civic and economic condition of Americans of Hispanic descent. A review of the consolidated financial statements and notes for 2015 and 2016 reveal a strong balance sheet and no findings or deficiencies in internal controls.

The applicant has a strong and experienced team with deep education expertise enabling them to identify the likelihood of success of a charter school.

The applicant has successfully competed for 3 Credit Enhancement Program grants in 2002, 2004 and 2006. Using these funds they have served 67 charter schools of which 30 were startups, 24 were leasehold improvement loans and 39 were part of CMO's leveraging \$329,291,179. Page e27

Weaknesses:

The applicant does not address criterion 3 in this section as to how their portfolio monitoring and financial management policies protect against unwarranted risk. They do however address how their underwriting policies address risk management at e21-e22.

A review of the applicants by laws does not reveal a corporate conflict of interest policy.

The applicant identifies multiple partners in the project narrative but does not present any memoranda of understanding or other agreement which identifies how the parties will work together to achieve the purposes of the grant. This is particularly significant for their capital partners, The Bill & Melinda Gates Foundation and the JP Morgan Chase Foundation. Page e26

Reader's Score: 27

Selection Criteria - Quality of Project Personnel

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

- 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:

RDF has an extensive and well qualified Board of Directors. Amanda Sanchez, proposed project director and Rodrigo Vela, CFO have significant charter school policy backgrounds. Page e35-e36. Additionally, Greta Mayans, Director of Education Finance has experience managing the education unit's credit and loan servicing policies. Page e39.

The staffing plan is found on page e241. The applicant has historically managed its operations from its headquarters in Arizona and from a satellite office in Montclair, NJ. The plan to lease space in Seattle and relocate Amanda Sanchez as head of the initiative. They also plan to hire additional staff.

Weaknesses:

The staffing plan is found on page e241. It would be strengthened with greater detail.

Reader's Score: 11

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 does address this criterion generally on page e17-18 (Every charter school RDF has financed is a Title 1 eligible school bottom(page e16) but does not provide sufficient quantitative data (percentage measure of students that qualify for free or reduced school lunch prices) in support of the assertion that they are addressing charter school financing needs where 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 or where there is below proficient performance on state assessment testing

Weaknesses:

Additional quantitative data in support of this criterion would be useful here.

Reader's Score: 12

Status: Submitted
Last Updated: 07/05/2017 02:22 PM

