

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

Status: Submitted

Last Updated: 07/10/2018 01:23 PM

Technical Review Coversheet

Applicant: Charter Schools Development Corporation (U354A180009)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	26
Quality of Project Services		
1. Project Services	15	14
Capacity		
1. Capacity	35	32
Quality of Project Personnel		
1. Project Personnel	15	15
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	10
Total	115	97

Technical Review Form

Panel #1 - Credit Enhancement - 1: 84.354A

Reader #1: *****

Applicant: Charter Schools Development Corporation (U354A180009)

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:

As a non-profit developer of facilities for lease and optional purchase for charter schools, and a CDFI whose sole mission is to work with charter schools, the applicant has designed a new program to assist early start charter schools and provide them with leased facilities as they grow to full enrollment and the possibility of a purchase after a few years of positive growth. A purchase price for the leased property will be established by the applicant when a charter schools enters a least agreement, saving money in the long run because the purchase price will remain the same throughout the lease agreement. The applicant will also serve as the developer saving the charter school precious time to focus on education. Rates and terms are favorable to charter schools as developed in this program; longer amortization periods, interest rates well below market and higher LTV options. (pg. e27 – e39)

Goals are included that align with the overall scope of the project. These have measurable objectives that will help determine if the project is on track. A Logic Model is included that provides solid inputs and outputs that will produce the desired outcomes. (pg. e39-e42 and e78)

The narrative indicates that information on all programs provided by the applicant is disseminated at regional and national conferences and workshops. (pg. e45 –e46)

A “lifecycle approach” is utilized by the applicant to provide charter schools facilities throughout the development of each charter school. The selection criteria is simply put – we serve charter schools in the highest risk segment of the industry. (pg. e46)

A leverage of 10:1 is expected with this new project. The applicant has been successful through previous grants in securing additional funding through financial institutions and private foundations. Letters of support indicate a willingness of one bank to commit funds to the new project and soft commitments by several other banks. (pg. e50 and e363)

The project will focus 65% of available funds to states that are ranked an A or B by the Center for Educational Reform or charter schools that rank in the top 50% all charter schools as rated by the National Alliance for Public Charter Schools. (pg. e50-e51)

Grant funds will be used to support a new position that will be dedicated to providing real estate development and

Weaknesses:

A timeline is not included in the narrative except to indicate the number of charter schools that will be serviced during each year of the grant. (pg. e39-e43)

The discussion of the Implementation Plan provides little direction or specific details as to when and what activities will take place to ensure charter schools have facilities for students. (pg. e43 – e45)

There is no discussion about methods in which the replication of this program will occur outside of presenting at conferences and workshops. The narrative speaks very holistically about the project replication as if other lenders will automatically want to join. (pg. e45-e46)

The narrative does not give specific criterion that is used to determine charter schools that will be assisted with this program. While the applicant has established many relationships with charter agencies in a variety of states that can assist in locating charter schools that need assistance, there are no clear cut guidelines. While the applicant says highly flexible underwriting criteria are used, there is no evidence of these in the application. (pg. e47)

There is no discussion relative to the reasonableness of the requested amount in relation to the success of the overall project. The applicant addresses the fact that a new position will be hired to assist with the project but does not discuss the reasonableness of the amount of money requested and how it will affect the overall program.

Reader's Score: 26

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:

Many letters of support are written that speak to the need of early-start and new charter schools. By providing renovated facilities for lease with flexible options to purchase, the applicant has designed a program especially for the charter schools being target by this proposal. (pg. e52 – e55, e360, e420)

The charter school sector has been heavily involved in the design of this project. Through information gained at successful completions of financing deals with charter schools, the applicant has designed this program. (pg. e55 – e56)

Technical assistance will be provided to address specific needs of each charter school. The applicant will tailor the specific technical assistance to individual charter schools at no cost. This assistance includes financial analysis, affordability analysis, construction assistance and short and long term facilities planning. Each charter school applicant is evaluated to determine the readiness to take on a finance project and if deemed not ready, the charter school is offered strategies to improve their situation. (pg. e56 – e58)

The new fund is specifically targeted to new start-ups and slow-growth (growing one grade level at a time). By providing a leased building upfront and allowing the charter school to purchase at a later time at an already determined price, is definitely assisting the charter school with the greatest need. (pg. e58 - e60)

Weaknesses:

There is very little discussion around focusing assistance on the charter schools that will most likely be successful. The applicant states assessing whether or not new charter schools will use proven strategies such as smaller schools and classes, but there is no indication that charter schools will be included because these strategies are in place.

Reader's Score: 14

Selection Criteria - Capacity

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

schools within the State receive the funding needed to obtain adequate facilities; and

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

Strengths:

The applicant has successfully implemented several CE grants and is prepared to continue work in the sector to provide a new program based on the success of previous programs. (pg. e61)

Audit reports indicate no deficiencies and find the applicant in compliance with Government Auditing Standards. The applicant has recently completed a successful recertification of the CDFI by the Treasury Dept. Recertification is an indicator of financial stability within the organization. (pg. e61)

Members of the project team, including the project director, have educational experience. Several members of the Board of Directors have significant experiences throughout the charter school landscape. (pg. e64 – e66)

A Standards of Conduct policy is included in Attachment 11. This policy applies to board members and corporate officers. There is a Business Ethics policy that pertains to staff conflicts.

Previous grants have been successfully implemented with a cumulative leverage of 16:1. In keeping with the goals of the CDFI, 60% of charter school served have three years or less of operational history and one third of the charter schools serviced during these grants acquired leasehold improvement facilities using credit enhancement. (pg. e67 – e68)

Weaknesses:

While the narrative states there is a rigorous application that includes upfront analysis and underwriting, there is no evidence of this process within the application package. Additionally, there are no policies provided relating to financial management or portfolio monitoring; just verbiage that indicates the board regularly reviews these processes.

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:

A new project manager will be added and will have specific responsibilities as outlined in the narrative. The responsibilities of the individual are well defined and will allow the project to move forward in an organized manner with a dedicated individual to monitor the new project and continue to develop a pipeline of charter schools. (pg. e70)

An experienced project director will lead the team of qualified individuals through this new program. This individual has experience in administering the previous six credit enhancement grants and will provide general oversight of the new project while supporting the as yet to be hired, project manager. (e68 – e70)

A strong support staff, including 3.5 FTE devoted to fiscal accountability and support, is in place to provide assistance as needed. (pg. e68 – e70)

An organizational chart is provided that further delineates the reporting structure within the organization. (pg. e346)

Weaknesses:

None noted.

Reader's Score: 15

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 2018 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 ESSA, if applicants will be operating in States that have identified schools for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the ESSA, “improvement, corrective action, or restructuring” refers to schools identified for “comprehensive support and improvement or targeted support and improvement” under the ESEA, as amended by the ESSA. If applicants will be operating in States that are delaying, as permitted by the Department, the identification of schools for comprehensive support and improvement or targeted support and improvement until school year 2018-2019, the Department will award competitive preference points under paragraph (1) to allow those 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 2018-2019, the Department will require a grantee that is operating in States that are delaying identification of schools, and that receives points under this priority, 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 discussed broadly, the use of state identifiers for schools/districts needing improvement.

The application provides information relative the passing rates on state assessment in the states that will be included in the program. (pg. e19-22)

A primary focus of this grant proposal is to target schools that service a low-income population. The applicant commits that 65% of the schools financed will be schools with a high percentage of low-income students. (pg. e22)

Weaknesses:

While the applicant did discuss the identification of schools under improvement by the corresponding states, the narrative did not address priority #1 with relation to the schools/districts identified under ESEA or ESSA for improvement

Reader's Score: 10

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Technical Review Coversheet

Applicant: Charter Schools Development Corporation (U354A180009)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	35
Quality of Project Services		
1. Project Services	15	15
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	15
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	10
Total	115	110

Technical Review Form

Panel #1 - Credit Enhancement - 1: 84.354A

Reader #2: *****

Applicant: Charter Schools Development Corporation (U354A180009)

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 a \$ 12 million grant to expand its capacity to deliver nonprofit turnkey real estate development projects to new, early stage, and slow growth model schools by using credit enhancement to leverage a subordinated loan pool of approximately \$25 million that in turn, will attract and leverage \$125 million in new senior financing. Subordinated debt will be provided at lower rates with longer amortization resulting in a 300 basis point savings compared to market rates.

Additionally, the applicant has expanded collaborations with multiple banks, many of whom provided letters of support for the program and are interested in providing capital under this structure. (e-35)

Project goals are specific and measurable. They focus on general concepts such as increasing the volume of affordable capital for facility development projects, serving communities in need, serving new, early stage and slow growth charter schools and to providing leased facilities under their Turnkey Development Program. Specific timelines are included and are reasonable for the program. (e-41)

The applicant's project plan is an enhancement of its current program with an emphasis on addressing the financing needs of slow growth schools and developing incubators in certain impact locations. The model has worked successfully in the past as the applicant is a six- time Credit Enhancement program grantee with a successful track record of using program funds in a timely, affordable and efficient manner. Not only do they have strong lender support, but they have also expanded relationships with other stakeholders in the system like Education Facility Solutions and the Brackenridge Foundation to extend their impact in Colorado and San Antonio, respectively. (e-44)

The applicant is leveraging its balance sheet as a financial intermediary and nonprofit developer to increase access to affordable capital. They cite the increased presence of nonprofit developers in the market as evidence of replication of their successful model. (e-45)

The applicant has a strong track record of successfully assisting charter schools with a high perceived level of risk based upon its understanding of market dynamics, flexible underwriting criteria and the consideration of evaluative criteria of success like governance and administration, budgeting and finance and student recruitment and enrollment. These factors all combine to ensure that in underwriting a client for assistance, they take into account objective and subjective criteria provide the appropriate level of assistance. (e-46)

The applicant's development model is predicated on attracting private senior level capital in every transaction. This approach has been highly successful with 26 lenders providing almost \$200 million in senior debt for facilities projects, with another 27 lenders providing close to 50 million in subordinate debt. (e-50). They have also attracted strong philanthropic support.(e-50)

Historically, over 73% of the applicant's grants have been deployed in states with strong charter laws. They expect to maintain similar levels of investment if the proposal is funded deploying at least 65% of their project loans into projects in states ranked in the top percentile of those with strong charter laws. (e-51)

Project costs are definitely reasonable in relation to the objectives, design and potential project significance. They plan to hire a full time real estate development and technical assistance professional with grant funds. Any administrative costs in excess of the mandated 2.5 % ceiling will be absorbed by CSDC through existing fees and development streams of capital as opposed to passing them along to the customer. (e53)

Weaknesses:

There are no weaknesses in this criterion.

Reader's Score: 35

Selection Criteria - Quality of Project Services

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

- 1. The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- 2. The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- 3. The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and**
- 4. The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

Strengths:

The applicant's experience in administering the Credit Enhancement program as well as extensive outreach to program stakeholders, banks, charter management organizations and others give them great insight into the financing needs of new, early stage and slow growth schools. The presence of multiple letters of support in the application and statements throughout the narrative corroborate their understanding of the needs of charter schools to be served. (e52-54)

In preparing this application, CSDC reached out to leaders and organizations in the charter school movement, recognized

experts, existing CSDC funded schools and other providers for program input and support. Many letters of recommendation are included with the application and there is strong support and acceptance of this proposed model.

The applicant proposes to provide technical assistance and counseling tailored to the specific needs of charter schools including site feasibility analysis, affordability analysis, construction budget review and short and longer term facilities planning. (e-56)

The applicant's focus on new, early stage and slow growth schools is project specific and offers the opportunity to apply its extensive expertise, resources and partnerships in support of financing unmet needs for this market segment.

Generally the market focuses on meeting the financing needs of mature schools or members of CMOs. There is explosive growth in the independent market segment and the applicant feels that by meeting the financing needs of this market segment, they will augment the growth of the next generation of market leaders.

Weaknesses:

There are no weaknesses in this criterion.

Reader's Score: 15

Selection Criteria - Capacity

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

Strengths:

The applicant has a strong effective track record administering these grants. They are the recipient of the largest number of individual grants under this program to date and the second largest recipient of grant funding by dollar amount. (e-51)
The success of their business model and qualifications of staff, and project team is well documented in the application and strongly supported by external parties. (e-61)

The applicant is financially stable and a review of their most recent audited financial statements contain no findings, internal control deficiencies or issues with Government Auditing standards. Average fund deployment, one of the measures through which CDFI effectiveness is measured was at 85% 12/31/17 attesting to the market demand for the

organization's products. Similarly, their default rate 12/31/17 was <2%, well below the industry standard of equal to or less than 7%. (e-63)

The applicant utilizes objective and subjective underwriting in its application and loan approval process. Portfolio management practices are quarterly and industry standard, increasing in frequency if a loan's risk rating increases. The Financial Controller produces quarterly dashboard reports on the organization's financial health and reserves. (e-64)

The applicant's project team has wide and deep experience in evaluating charter school success as evidenced by the volume and number of grant funds received under this program to date and their historically low default rate. Project team members are well educated with substantial expertise in education as evidence by their previous positions and organizational affiliations. (e-65)

The applicant has a Board authorized policy in place to avoid the appearance and reality of conflict of interest scenarios. Supporting documentation is included in the application at Attachment 11, Standards of Conduct.

The applicant has been highly successful in administering past grants. Annual performance reports are submitted as required and the applicant has an exemplary record in this area. To date they are responsible for financing, credit enhancing, or developing over 70,000 student seats and over 6.2million square feet of affordable educational facilities throughout 25 states and the District of Columbia. (P.e-67)

Weaknesses:

There are no weaknesses in this criterion.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

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

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

2. The staffing plan for the grant project.

Strengths:

The project team has wide and deep qualifications including training and experience in this area. Project director Michelle Liberati, has a MA in Education Policy and worked as a substitute teaching before joining CSDC. Her resume is included in the application. (e-347)

Laura Fiemann, Senior Project Manager has over 25 years of relevant experience in loan origination, deal structuring and capital markets. Her resume is also included in the application. (e-349)

The staffing plan is included in the application and outlines the roles and responsibilities of the project team in administering the project. They plan to hire a new project manager in Q1, FY20. A position description is included with the narrative.

Weaknesses:

There are no weaknesses in this criterion.

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

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(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

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Note:

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Strengths:

The applicant partially addresses this criterion. Their Board approved mission partially correlates to all three of the competitive preference priorities by targeting and providing financing to public schools serving a majority of students eligible for subsidized or fee school lunches, public charter schools located in economically distressed census tracts, and public charter schools located in communities with a large number of poor performing district schools.

Weaknesses:

The applicant did not address the sub-criterion in necessary detail. For example, CSDC is working in geographic areas that are identified for improvement but do not directly address the free lunch eligibility criterion.

Reader's Score: 10

Status: Submitted

Last Updated: 07/09/2018 11:01 AM

Status: Submitted

Last Updated: 06/30/2018 02:54 AM

Technical Review Coversheet

Applicant: Charter Schools Development Corporation (U354A180009)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
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Quality of Project Services		
1. Project Services	15	14
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	15
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	9
Total	115	101

Technical Review Form

Panel #1 - Credit Enhancement - 1: 84.354A

Reader #3: *****

Applicant: Charter Schools Development Corporation (U354A180009)

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;**
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 - 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:

As a result of receiving the credit enhancement tool, the applicant intends to offer rates and loan terms that This applicant created a strong design for the proposed credit enhancement tool, which will likely result in significant impacts for the charter schools they finance. Specifically, the applicant clearly articulates how its use of the credit enhancement tool will reduce its overall cost of capital and thereby allow it to provide interest rates on loans to charter schools that would be competitive with or better than other lenders currently in the financing markets (page e35) Also, the applicant will substantially leverage the Credit Enhancement grant at a ratio of 10:1. (page e50) Moreover, the applicant provided a convincing description of its process for selecting charter schools to receive assistance (page e48), which relies heavily on networking with schools, authorizing bodies, and industry associations. It also utilizes data from knowledgeable a third-party organization to determine whether the charter school borrowers its selects operate in states with strong charter laws. (page e51) Lastly, the applicant provided a feasible project implementation plan that is likely to achieve the measurable goals and objectives listed. (page e39) Also, the project costs are reasonable in relation to the objectives, design, and potential impacts achieved, and the applicant will cover any costs in excess of the allowable 2.5% set-aside for administrative expense through earned revenues. (page e52)

Weaknesses:

The applicant did not present a detailed timeline with its implementation plan, showing when it would achieve the major milestones for the proposed lending activities. Also, the applicant failed to state a convincing argument for the replicability of the results it hopes to achieve. Specifically, the applicant designed its business model to be a "turnkey" developer of facilities for charter school clients. While it was the first nonprofit entity to pursue this approach, other nonprofit entities are pursuing similar strategies. The applicant offered no verifiable evidence that its business strategy is superior to the others.

The could provide such evidence by effectively demonstrating its strategy's internal consistency, the consistency with the environment(s) in which it intends to operate, its appropriateness in the light of available resources, and assessing the degree of risk involved in its successful implementation. The applicant also failed to show how new charter school capital providers are adopting its approach to financing facilities development, which was one of the goals for its Credit Enhancement grant award strategy.

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:

The quality of the project services presented by the applicant is sound and would meet the needs of the charter schools in the markets it serves. It engaged several key stakeholders including charter schools and research organizations in the design of the program and obtained letters of support for this application. (page e55). Also, it offers a comprehensive suite of technical assistance services that addresses the major aspects of developing and financing school facilities, from basic financial modeling, budgeting, and business planning to site feasibility analysis and long-term facilities need assessments. (page e57) Since the applicant provides these services to clients at no cost, the applicant demonstrated the uses of cost-effective strategies for increasing charter schools' access to facilities financing. (page e58) Lastly, the applicant presented an adequate explanation for the process it employs to identify charter schools that have the greatest needs for assistance. It intends to deploy the Credit Enhancement grant award in a similar fashion as its prior awards, which focused on a limited number of local markets states/communities where CSDC has strategic partners, while its new strategy is national in scope. Also, the criteria it developed would reasonably lead to determining the likelihood of success for potential borrowers. It intends to assess the rate at which prospective borrowers anticipate using strategies that research has proven are often effective, such as smaller schools, smaller class size, more school time, and greater parent involvement. (page e60)

Weaknesses:

The applicant did not include any letters of support from charter authorizers, which would be vital stakeholders in the design of project services and in the identification of charter schools with the greatest needs for assistance.

Reader's Score: 14

Selection Criteria - Capacity

1. Capacity. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers:

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

Strengths:

The applicant is a strongly capitalized, financially stable, and well-managed financial intermediary. Specifically, as of December 31, 2017, the applicant had total assets of nearly \$177 million and total net assets in excess of \$46 million. (page e62) It also has significant experience in carrying out the activities they propose to undertake, including the management of previous Credit Enhancement grant award to facilitate financing for charter schools. Its prior grant awards led to an increase in the number of partnerships with commercial lending institutions, which led to leveraging over \$540 million in the total private capital on behalf of 183 schools. Moreover, it has the necessary organizational infrastructure and trained and qualified staffs, to protect against unwarranted risk. The written description of its loan underwriting policies, portfolio monitoring procedures, and overall financial management strategies and practices (page e63) present adequate assurance of the applicant's ability to make prudent lending decisions and protect its assets. Lastly, the applicant adequately demonstrated its expertise to evaluate the likelihood of success of a charter school through its prior lending activities.

Weaknesses:

There were no weaknesses in this area.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

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

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

Strengths:

The applicant employs highly qualified personnel, who possess the requisite training and experience to successfully implement the proposed activities. The Project Director has twenty years of experience in managing the charter school lending program, including six previous Credit Enhancement grants for the applicant. (page e68) Also, one project team member has direct work experience as a charter school teacher and principal. (page e69) Additionally, the applicant presented a staffing plan (page e70) adequately describes the functions and responsibilities required of each team member for the proposed activities. The plan demonstrates that current staff levels are sufficient to address the short-term

needs of meeting the deployment goals of the proposed Credit Enhancement grant; yet, CSDC recognized the value of adding another staff to help grow its lending program.

Weaknesses:

No notable weaknesses in this area.

Reader's Score: 15

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 2018 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 ESSA, if applicants will be operating in States that have identified schools for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the ESSA, “improvement, corrective action, or restructuring” refers to schools identified for “comprehensive support and improvement or targeted support and improvement” under the ESEA, as amended by the ESSA. If applicants will be operating in States that are delaying, as permitted by the Department, the identification of schools for comprehensive support and improvement or targeted support and improvement until school year 2018-2019, the Department will award competitive preference points under paragraph (1) to allow those 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 2018-2019, the Department will require a grantee that is operating in States that are delaying identification of schools, and that receives points under this priority, 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 provided an adequate explanation of how it will target services to communities with large proportions of students from low-income families (subcategory 3) and documented its goals with results from historical lending experiences and data from credible research sources. (page e22) It will use an application to collect data from prospective borrowers about their anticipated or actual student population to be served both by the school and local public school district.

Weaknesses:

In subcategory 1 (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 ESEA), the applicant did not address the specific provisions of ESEA in the process for determining whether the markets in which it operates have a large proportion of public schools have been identified for improvement, corrective action, or restructuring. (page e17) In its previous awards, the applicant addressed the state's ESSA plans in Colorado. Under this current grant award request, the applicant intends the address state ESSA plans in Texas, Indiana, and Arizona. Also, in subcategory 2 (target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments), the applicant uses a national ranking (Parenting) and other non-authoritative sources as the basis for establishing the claim that its services would target areas where students perform below state academic assessments. (page e19)

Reader's Score: **9**

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