

ED Abstract

Project Name: CSDC Credit Enhancement Program

Applicant's Charter Schools Development Corporation (CSDC)

The Charter Schools Development Corporation (CSDC), a 501(c)(3) tax-exempt, nonprofit corporation and Community Development Financial Institution (CDFI), has helped public charter schools for over two decades to acquire and finance facilities at the lowest possible cost, first as a credit enhancement provider, then as a nonprofit developer of facilities for lease with purchase option, and most recently, as a lender to charter school organizations. CSDC's mission is to support quality school choice for underserved students by developing and financing affordable charter school facilities.

CSDC is requesting a \$ [REDACTED] grant to expand its capacity to deliver nonprofit turnkey real estate development projects and provide traditional credit enhancements/loan guarantees to at least 22 charter schools nationally by using credit enhancement to secure and leverage subordinate debt at a lower cost that, in turn, further attracts and leverages approximately [REDACTED] in new private sector senior financing resulting in 100% loan-to-value ("LTV"), and thereby reduces the overall facilities costs to schools.

While there are other CDFIs lending to charter schools for facility projects, they typically price their programs at market rates, or between 6-7% for senior debt and 7% or higher for sub-debt. A new grant would enable CSDC to provide even lower cost turn-key facilities by directly pledging the credit enhancement to a subordinated lender (up to 30% LTV), rather than the traditional leveraged loan pool model common in the industry today. Lenders can then price their loans against the cash deposit, usually between 2-4%, rather than against a market interest rate or based on collateral value of the property or loan type. As a result, the cost savings to the schools of approximately 300 basis points on the credit enhanced debt will be unparalleled. This savings translates into the ability of our school clients to provide additional staff, student supports, increased security or other amenities while strengthening the school's balance sheet. Charter schools served under this program will avoid the punitive alternative of diverting a significant portion of their per-pupil funding away from educational and classroom learning to pay facility costs.

CSDC's reputation for successfully serving the highest (perceived) risk segment of the charter school sector - new and early stage, or replicating schools serving predominately low-income students - is based on its highly flexible underwriting criteria and ongoing technical assistance which is the hallmark of this success. This grant program will create over 11,000 seats and save over \$ [REDACTED] in facility expense over the first ten years of the program.