

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

Status: Submitted

Last Updated: 08/26/2019 07:13 AM

Technical Review Coversheet

Applicant: Charter Schools Development Corporation (S354A190001)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	31
Quality of Project Services		
1. Project Services	15	14
Capacity		
1. Capacity	35	32
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	92
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	5
Competitive Preference Priority 2		
1. CPP2	5	5
Competitive Preference Priority 3		
1. CPP3	5	5
Sub Total	15	15
 Total	 115	 107

Technical Review Form

Panel #1 - FY19 Credit Enhancement Panel 1 - 1: 84.354A

Reader #1: *****

Applicant: Charter Schools Development Corporation (S354A190001)

Questions

Selection Criteria - Quality of project design and significance

1. 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; 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:

- (1) CDSC has a track record and experience in identifying the most flexible financing and work with multiple lenders. The program will result in better rates and terms than school would receive in three distinct ways: 1) access to lower cost capital, 2) lower lease rates and purchase options and 3) 100% financing. (e36) The schools have access to funds that would be inaccessible as indicated by letters of support from eight financial institutions. (e361-e370)
- (2) The applicant has developed a "Logic Model" with realistic assumptions that will result in intended outputs and outcomes that result in lower cost facilities available to charter schools. The measurable goals, objectives, and timelines are reasonable for the program. (page e41-e44) The scope of the model noted that a minimum of 65% of the charter schools served each project year would follow the competitive priority requirements, at least 75% of the schools served would have less than 3 full year so operating loan approval, and information pertaining to the financing costs.
 - (3) The proposed grant will enable them to delivery nonprofit turkey real estate development projects and provide loan guarantees to new and early stage schools at a lower cost. This savings gives the schools the ability to provide additional staff, student supports, increased security or other amenities which strengthen their balance sheet. (page e34) These are measurable outcomes that further the purpose of the program.
 - (4) Applicant uses a "Building Block Fund" launched in 2002 in the amount of \$29.6 million in providing national revolving

credit enhancements. This was initially capitalized with philanthropic funding from the Ewing Marion Kauffman Foundation of Kansas City and the Daniel Fund of Denver (page e30) The letters of support from lenders cite interest in expanding capacity with the applicant. These are indications that they will produce results that are replicable.

(6) The applicant is requesting \$ [REDACTED] to deliver nonprofit turnkey real estate development projects to 22 charter schools creating over 11,000 seats and save over [REDACTED] in facility expense over the first ten years of the program. The leverage targets are lower than prior grants 7:1. (page e35)

(7) The applicant is a seven-time federal Credit Enhancement grantee and has proven experience in achieving objectives. Historically, 70% of their grants rated by CER (per their "2018 Scorecard") have been deployed in states "A" and "B" and 80% deployed to the top 50 percentile of states ranked by Alliance. (page e52) They have a significant track record serving schools in states with strong laws. (page e19)

(8) The applicant has modest goals of closing 2-3 transactions per year. Project costs outlined in the budget are detailed

Weaknesses:

Concern about strategy focusing only on early stage schools. The applicant is limiting the scope of charter schools that they will consider assisting.

Reader's Score: 31

Selection Criteria - Quality of Project Services

1. In determining the quality of the 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:

- (1) CDSC's current demand for projects for both 2019-20 and 2020-21 will deploy a significant amount of their current unobligated federal funds. Phalen Leadership Academics Founder and CEO oversees 21 schools has commented "CDSC's knowledge and understanding of the needs of the newly establish charter schools, and willingness to invest credit enhancement turnings a school's dream into a reality, put's them a step above the rest." They have documented success in this area.
- (2) This proposal evolved with different sources of input. As evidenced by the letters of support (pages e371- e404) included in the application, it's evident that banks, charter schools, and others were consulted for the grant proposal.

(3) Technical assistance being provided to the schools is clearly detailed in the application. This service is free of charge to both prospective and client schools. This includes; 1) site feasibility analysis; 2) affordability analysis; 3) construction budget review; 4) construction budget review; 5) short versus long term facilities planning. (page e59) This demonstrates their experience in the field. They have met the 10-year performance objective of its first four grant awards demonstrating and effective track records in providing technical assistance.

(4) The grant will focus on new and early stage schools. Unlike most traditional commercial banks focusing on mature schools, the applicant is focusing on this segment to address a segment that's overlooked in the financing process. (page e60)

Weaknesses:

Letters of support does not include an authorizer or chartering agency.

Reader's Score: 14

Selection Criteria - Capacity

- 1. 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:

(1) The applicant has a strong track record of serving high impact, high quality charter schools, especially new and early stage schools. They are the largest recipient of grant funding. (page e63)

(2) Most recent audits confirm full compliance with reporting requirements, cite no internal control deficiencies, and no instances of non-compliance with Government Auditing Standards. The applicant's organization has grown to \$187 million in total assets and \$51 million in net assets. The default rate effective 12/31/18 was less than 2% versus an industry standard of 7%. (page e65) Additionally, they passed the Treasury Department's CDFI recertification indicating a determination of their financial stability, community development mission focus, and managerial competencies. (page e64)

(3) They have a rigorous internal review and risk management process for schools in their portfolio. Internal control procedures help with the early detection of write-offs. Early detections of financial issues help mitigate defaults. (e66) This enables them to provide ongoing technical assistance once issues are early working out a probable solution with the charter school.

(4) The project director has prior education experience and other members of the staff have extensive and specific education industry knowledge. (page e 67) This is beneficial to the success of the model. Their experience which includes curricular models, academic performance, classroom management protocols along with governance and best practices enable them to provide the support needed.

(5) The applicant has two procedures to address real or potential conflicts of interest. They've adopted "Standards of Conduct" and "Business Ethics" policies which are included in the application. (e258) These policies protect both the company, directors and employees.) These policies protect both the company, directors and employees and protect the validity of financial transactions and arrangements.

(8) As of 9/30/18, CSDC funded over \$63 million in credit enhancements from the \$28.6 million in grants awarded. This includes leveraging \$556 million with 4.69% of the client's schools having less than three full years of operating experience, and one-third of schools receiving enhancements for leasehold improvements. This translates to developing 80,000 student seats and 6.7 million square feet of safe space and affordable facilities across DC and 29 states.

Weaknesses:

The application doesn't give procedures for working out problems with schools who have encountered problems. This would provide additional information and examples demonstrating the effectiveness of their internal review and risk management process.

Reader's Score: 32

Selection Criteria - Quality of Project Personnel

1. 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:

(1) Staffing and qualifications include the original Project Director from CDSC's first Credit Enhancement grant, and the Senior Vice President has worked with CDSC since 2010 and other personnel with loan origination and financial experience. Overall the CDSC staff has 12 FTE and 3.5 FTE who manage accounting and other support functions.

(2) They have designated one employee to over seeing this project and detailed plans for a credit underwriter in Q1 21 and accountant in Q3 21. Additional back office staff additions will be determined based on business needs. They have analyzed the influx of additional work needed to manage new projects.

Weaknesses:

No weakness noted.

Reader's Score: 15

Priority Questions

Competitive Preference Priority - Competitive Preference Priority 1

1. For FY 2019 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 comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);

Strengths:

Priority 1: CSDC promotes community development nationally by targeting and providing funds to finance 1) public charter schools enrolling and serving most students eligible for federally subsidized free or reduced lunch; 2) public charter schools located in economically distressed census tracts; and/or, 3) public charter schools located in communities with a large number of poor performing district schools. (page e19) The applicant provided geographic examples of charter schools served. (page e20-e23) Under ESSA schools are identified as either a "Comprehensive Support and Improvement School (CSI), Targeted Support and Improvement School (TSI), or Additional Targeted Support and Improvement (ATSI). The application notes those schools falling within those categories in their targeted areas; FL, NC, LA, TX, and AZ.

Weaknesses:

No weakness noted.

Reader's Score: 5

Competitive Preference Priority - Competitive Preference Priority 2

1. For FY 2019 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--

(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 (up to 5 points); and

Strengths:

Priority 2: CSDC works locally to identify low performing school districts where students do not meet proficiency on state academic assessments. They review NAEP results for grades 4 and 8 in math and reading. Through this process they have decided that charter schools located in DC, AZ, IN, MN, MI, and CO are being prioritized for this grant. (page e53)

Weaknesses:

No weakness noted.

Reader's Score: 5

Competitive Preference Priority - Competitive Preference Priority 3

- 1. For FY 2019 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--

(3) The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).

Strengths:

Priority 3: They have used the Fordham Institute research to identify "charter school deserts". These are areas with population density and lots of disadvantaged children and poverty rates greater than 20%. (page e26) Based on this analysis they will focus on the following AZ, CO, DC, IN, MN, TN, TX. (page e27) The application notes that at least 65% of the schools financed through this grant will meet criteria including having a majority of low-income students.

They have strategic partners which include the Brackenridge Foundation, Ewing Marion Kauffman Foundation of Kansas City, and the Daniels Fund of Denver. Furthermore, CSDC is working with The Mind Trust in Indianapolis, MD Alliance for Public Charter Schools, Colorado Charter Facilities Solutions, The Northeast Charter School Network (e50) among others to assure that local pressing needs are aligning with existing programs.

Weaknesses:

No weakness noted.

Reader's Score: 5

Status: Submitted

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Technical Review Coversheet

Applicant: Charter Schools Development Corporation (S354A190001)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	29
Quality of Project Services		
1. Project Services	15	12
Capacity		
1. Capacity	35	30
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	85
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	3
Competitive Preference Priority 2		
1. CPP2	5	3
Competitive Preference Priority 3		
1. CPP3	5	4
Sub Total	15	10
Total	115	95

Technical Review Form

Panel #1 - FY19 Credit Enhancement Panel 1 - 1: 84.354A

Reader #2: *****

Applicant: Charter Schools Development Corporation (S354A190001)

Questions

Selection Criteria - Quality of project design and significance

1. 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; 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's use of the CE would provide significant benefits to schools by passing along the cost benefits of borrowing that is collateralized by the CE dollars through lease or purchase terms.
- Applicant provides an array of options for addressing charter schools' facility needs from leasing to turnkey development.
- The applicant provides clear project goals, objectives and timelines; they are measurable, appropriate and consistent with the applicant's track record, and likely to be achieved.
- The approach could be replicable by other institutions that are doing turnkey development for charter schools facilities.
- The criteria that the applicant describes for selecting charter schools for assistance and determining the type and amount of assistance to be provided are reasonable.
- They describe the typical mark-up on their development costs for leases as being 1.22 times the applicant's debt service, which is significant, but reasonable in comparison to lender interest rate margins and typical developer mark-ups.
- The applicant plans to achieve significant leverage and increase the number and variety of charter schools and that is consistent with their track record.
- The applicant plans to concentrate on states with strong charter school laws and significant needs in terms of Priorities 1 and 2.
- The requested grant amount and project costs seem reasonable.

Weaknesses:

- Though the criteria described for selecting schools to assist are reasonable because of the applicant's national service area and its various standards and priorities, make it uncertain, without an explicit commitment, whether priority preferences will override other factors like geography, and strength of schools in determining which schools are assisted.
- The strategy of focusing on early stage schools that have limited track records and no equity involves significant risks and while the applicant describes a good process for managing those risks they do not provide enough information about their past experience to understand how often they have faced problems with the financial or educational performance of leaseholders or buyers and how they have dealt with those situations.
- The direct beneficiary of the use of the CE that the applicant describes would be to the applicant – lowered financing costs would reduce their development costs. The applicant describes how they pass-on the costs (and savings from the use of the CE) to schools by noting that the typical lease charge is 1.22 times their debt costs, but they do not describe the formula used in setting purchase prices and do not indicate whether there are other costs or fees that schools are charged and that, in effect, allocate the benefits of the CE.
- The applicant plans to cover the costs of two new staff people for the first three years of the project from the requested award – whether that is reasonable depends on how the benefits of the use of the CE are allocated between the applicant and the assisted schools, and that is not entirely clear from the application because the applicant has not provided the enough information about the financial relationship between itself and the assisted schools.

Reader's Score: 29

Selection Criteria - Quality of Project Services**1. In determining the quality of the 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 model allows them to largely handle facility development for the schools that they assist and that addresses a critical need.
- The applicant demonstrates that charter schools value the applicant's services and support its proposal.
- The applicant has a strong process for selecting schools with a likelihood of success and means to focus its services and assistance on new and early stage schools who it demonstrates have a particularly great need for help in obtaining facilities.

Weaknesses:

- The applicant demonstrates through testimonial evidence that charter schools have valued the applicant's services, but they do not show sure that the schools were significantly involved in designing their approaches.
- The full cost to schools is not entirely clear because the applicant provides information about how lease rates are set (1.22 x debt service ***) but does not provide details about what, if any, of the applicant's cost are rolled into debt service (developer fees, direct costs for staff, indirect or overhead costs), how purchase prices are set, and whether schools pay other fees or reimbursements to the applicant.

Reader's Score: 12

Selection Criteria - Capacity

- 1. 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:

- From the applicant's previous work in developing charter facilities the applicant and its staff and board have extensive experience in carrying out the activities like those described in the proposal.
- The applicant appears to be financially stable and has a solid base of net assets and describes sound risk management techniques for underwriting projects and managing its finances.
- The applicant has a good level of expertise in education, by virtue of the backgrounds of board and staff, and because the organization is exclusively focused on charter school facility development and has a substantial track record in the field.
- The applicant has policies to prevent individual conflicts of interest that include a code of conduct that applies to the board and officers and business ethics standards that apply at the staff level.
The applicant has performed satisfactorily with many previous CE awards.

Weaknesses:

- The applicant develops and owns school facilities but does not address how it manages the risks of project development or those associated with owning and managing school facilities and give.
- Though the applicant does describe the performance of its loan portfolio, it does not provide performance information about its facility lease and sale business, which is much larger than its lending business and the principal way that it assists charter schools. As a result it is not clear whether and to what extent schools that it has built facilities for have encountered problems and what strategies it has used in dealing with those problems.
- The applicant describes the process of certification as a CDFI as indication of its financial stability and managerial competencies (e64), but that process does not produce qualitative judgments about the organization's seeking certification.

Reader's Score: 30

Selection Criteria - Quality of Project Personnel**1. 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:

- Based on the roles that they have played in building the organization's substantial track record in developing charter facilities, and their previous work experiences and training the applicant's staff are highly qualified and experienced and the staffing plan for the project seems sound.

Weaknesses:

- Though the organization has a strong staff and record in hiring, the fact that one key staff person is to be hired adds a small element of uncertainty.

Reader's Score: 14

Priority Questions**Competitive Preference Priority - Competitive Preference Priority 1**

- 1. For FY 2019 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 comprehensive support**

and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);

Strengths:

- The applicant plans to give preference to projects that meet the Priority 1 and addressing Priority 1 is consistent with the applicant's mission and many of the charter schools that they have assisted in the past address Priority 1.
- Four of the states that the applicant particularly means to target have high concentrations of schools that meet Priority 1.

Weaknesses:

- The applicant does not make an explicit commitment about the extent to which it will address Priority 1 and because it has a national service area and a variety of standards (geography, strength of school, and others) that could drive decisions it is not clear to what extent they will meet Priority 1.
- The applicant does not provide information about how many of the schools they have assisted in the past meet Priorities 1.

Reader's Score: 3

Competitive Preference Priority - Competitive Preference Priority 2

1. For FY 2019 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--

(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 (up to 5 points); and

Strengths:

- The applicant plans to give preference to projects that meet the Priority 2 and addressing Priority 2 is consistent with the applicant's mission and many of the charter schools that they have assisted in the past address Priority 2.
- Three of the states that the applicant particularly means to target have a number of areas, including some that the applicant plans to target, that meet Priority 2.

Weaknesses:

- The applicant does not make an explicit commitment about the extent to which it will address Priority 2 and because it has a national service area and a variety of standards (geography, strength of school, and others) that could drive decisions it is not clear to what extent they will meet Priority 2.
- The applicant does not provide information about how many of the schools they have assisted in the past meet Priorities 2.

Reader's Score: 3

Competitive Preference Priority - Competitive Preference Priority 3

1. For FY 2019 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--

- (3) **The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).**

Strengths:

- The applicant plans to give preference to projects that meet the priority standards.
- The applicant makes a commitment to having at least 65% of the schools assisted with the requested award have a majority of low-income students, which addresses Priority 3, and that commitment is consistent with their track record (68% of the schools that they have financed have had a majority of low-income students) (e26).

Weaknesses:

- The commitment that the applicant makes to Priority 3 could have been stronger. Under the commitment, 35% of the schools assisted could have student bodies with less than 50% being low-income, and the applicant makes no specific commitment to serve schools with especially high concentrations of students from low-income families.

Reader's Score: 4

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Technical Review Coversheet

Applicant: Charter Schools Development Corporation (S354A190001)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	33
Quality of Project Services		
1. Project Services	15	13
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	14
Sub Total	100	95
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	3
Competitive Preference Priority 2		
1. CPP2	5	3
Competitive Preference Priority 3		
1. CPP3	5	4
Sub Total	15	10
Total	115	105

Technical Review Form

Panel #1 - FY19 Credit Enhancement Panel 1 - 1: 84.354A

Reader #3: *****

Applicant: Charter Schools Development Corporation (S354A190001)

Questions

Selection Criteria - Quality of project design and significance

1. 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; 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 clearly articulates to what extent the financing provided would be at better rates and terms on page e38. Specifically, the applicant proposes to leverage subordinate debt and secure rates up to 300 basis points lower, as well as lowering the overall blended interest rate of the portfolio by 100 basis points based on the deployment of credit enhanced sub-debt for 30% of projects. On page e40, the applicant outlines how this program will allow schools to receive closer to 100% loan-to-value financing versus more commonly occurring loan-to value financing of 80%.

The applicant establishes a set of clear project goals and objectives that are specific, measurable, and appropriate for the program on pages e41 through e44. The goals and objectives are appropriate because they are aligned with the goals of the Credit Enhancement program and target outcomes that are likely to translate into improved financing, both in rates and terms, for charter schools.

The applicant provides credible evidence that the project implementation plan and partnerships established, as outlined on pages e45 through e46, are likely to achieve measurable objectives, as evidenced by the numerous letters of support found on pages e360 through e406 and partner testimonials throughout the application, as well as past enhancement grant management and performance.

The applicant cites a flexible set of criteria (page e48 through e50) for selecting charter schools for assistance and using

project-related factors, including LTV of senior bank financing, project size, and % of budget spent on lease and occupancy costs. The use of a flexible set of criteria is a strength because it allows the applicant to be able to work with a number of a new and early stage charter schools who often have the greatest need for facility financing. The project-related factors are widely used industry factors and show consistency with industry best practice.

The applicant's project design is based on leveraging and expanding private subordinate financing through its credit enhancement proposal. By proposing to leverage private debt in this manner, the applicant is creating additional resources and borrowing opportunities for charter schools that would not otherwise be available.

The applicant presents that historical deployment of grants and enhanced loans have been typically deployed in high rated states for charter law strength.

The requested grant amount is reasonable to secure a 7:1 leverage ratio and fund the 12 schools prior to recycling those funds, and it appears that the actual costs to administer the grant far exceed the 2.5% administrative set-aside, which reflects a commitment of resources by the applicant above and beyond what is being funded through the Credit Enhancement program.

Weaknesses:

The applicant offers up the interest of other nonprofit and for-profit developers in its model as a way to evidence the likelihood of producing results that are replicable, and it cites its participation in professional learning communities (page e48) as evidence of it sharing its model. However, it fails to outline what key, critical features of its model can be replicated or offer up an example of a bona-fide replication. The applicant states its program is transparent, but it offers no evidence to support that statement.

While the project goals and objectives provided are considered a strength, the timeline provided with the project goals and objectives provides only a high level of detail that does not comport with the level of detail provided with the goals and objectives, as well as the size of the Credit Enhancement request.

Reader's Score: 33

Selection Criteria - Quality of Project Services

1. In determining the quality of the 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 project includes services to address the identified need for cheaper, subordinate debt, specifically to provided enhancement and guarantees to incentivize subordinate lenders and secure up to 100% LTV financing for schools. The use of enhanced subordinate debt is critical to allowing newer and smaller schools secure facilities they would not otherwise be able to secure in the first years of operation.

As noted on page e60, the applicant offers interested borrowers no-cost technical assistance "to identify strategies for improvements." The applicant directly links the level of technical assistance to the limited default rate among the borrowers.

The applicant notes that the charter schools with the most demonstrated need don't meet standard underwriting criteria, so it points to a comprehensive, flexible set of criteria on pages e48 through e50 to otherwise identify schools with a likelihood of success and a demonstrated need.

Weaknesses:

The applicant offers up evidence of support on pages e57 and e58 from both charter schools and charter support entities, but no actual charter authorizers. The applicant also does not make clear how the support translates into actual input and involvement in the design of the project services.

While the applicant does provide no-cost technical assistance and directly links the quality of this assistance to the performance of eventual borrowers, the applicant does not provide evidence how the technical assistance ultimately translates into access to financing or more reasonable fees and terms.

Reader's Score: 13

Selection Criteria - Capacity

1. 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 significant, extensive experience carrying out the activities it is proposing, both in terms of managing prior credit enhancement grants, as well as enhancing credit, guaranteeing leases, and facilitating financing. This is evidenced on page e63 by the fact that it is the largest recipient of grant funding, both in total dollars and number of awards, as well as sector recognition of expertise, as evidenced by the 37 letters of support included in the application.

The applicant provides evidence of financial stability via 3 prior audits, all issued with an unqualified opinion, with strong financial fundamentals, and a very active deployment rate of 77%.

Underwriting is extensive, referencing 17 different aspects of a charter school's business plan (see page 65) and further supported by the smaller than industry average default rate of below 2%. The applicant outlines its risk rating process and how that informs follow up action, if any. The risk rating process is aligned to best practices adopted and implemented by other lenders, specifically the frequency of evaluation and the data points reviewed.

The applicant provides evidence that staff have extensive experience as educators to evaluate likelihood of success, specifically that several staff either started in education as teachers or staff within educational organizations.

The applicant outlines clearly its policies and procedures regarding staff and board member conflict of interest, which includes steps to identify, address, and remove influence of conflicts of interest from organizational decision making.

The applicant offers up evidence of successfully implementing several grant enhancements, successfully leveraging those dollars 19:1. The applicant provided its most recent annual performance report, and it provided its risk rating from its last DOE site-visit, in which it earned a "Low Risk" designation across 14 of the 19 indicators, with the other 5 indicators receiving a "Moderate Risk" designation due to size of the grants received to date.

Weaknesses:

None

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

1. 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:

Professional biographies and experience of existing staff is appropriate and extensive, across charter facilities, lending, underwriting, and education in general. Most staff have many years of direct sector-specific experience performing the functions it is proposing in this project. Most staff are already familiar with Credit Enhancement financing and programs.

Proposed project lead is the current project leader for other credit enhancement programs applicant participates in.

Weaknesses:

Capacity of organization to carry out this work relies on the hiring of two new staff, which are not currently onboard. This adds some limited uncertainty in ability to implement the project.

Reader's Score: 14

Priority Questions

Competitive Preference Priority - Competitive Preference Priority 1

1. For FY 2019 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 comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);

Strengths:

The applicant establishes a clear, albeit aggregated, targeting of services to communities and geographic areas that will meet at least one of the competitive priorities via stated goal #2, found on page 13 of the application narrative: "A minimum of 65% of the Charter Schools served will served during each project year will at least meet one of the following criteria" and goes on to list the criteria of being located in a district where a majority of students don't meet math or language proficiency on the state assessments, in a district with 50% or more FRL, have or are projected to have more than 50% FRL themselves, or are located in an economically distressed census tract under the New Market Tax Credit Program.

Weaknesses:

The goal is aggregated, so it is unclear to what extent each individual competitive priority will actually be targeted. Specifically, the applicant does not offer a strategy or a singular priority specific to the targeting of services to charter schools in school districts where there is a large proportion or number of public schools in need of comprehensive support and improvement or targeted support. It is difficult to ascertain if schools receiving services in these geographic areas will be directly related to specific efforts by the applicant or purely circumstantial to the targeting of services for the other competitive preference priorities.

Reader's Score: 3

Competitive Preference Priority - Competitive Preference Priority 2

1. For FY 2019 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--

(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 (up to 5 points); and

Strengths:

The applicant establishes a clear, albeit aggregated, targeting of services to communities and geographic areas that will meet at least one of the competitive priorities via stated goal #2, found on page 13 of the application narrative: "A minimum of 65% of the Charter Schools served will served during each project year will at least meet one of the following criteria" and goes on to list the criteria of being located in a district where a majority of students don't meet math or language proficiency on the state assessments, in a district with 50% or more FRL, have or are projected to have more than 50% FRL themselves, or are located in an economically distressed census tract under the New Market Tax Credit Program.

Weaknesses:

The goal is aggregated, so it is unclear to what extent the applicant will target services specifically to geographic areas in which a large proportion of students perform below proficient on State academic assessments, or whether those geographic areas receiving the services will be circumstantial. The applicant does not offer a specific strategy or priority that is tailored to addressing this priority uniquely.

Reader's Score: 3

Competitive Preference Priority - Competitive Preference Priority 3

- 1. For FY 2019 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--

(3) The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).

Strengths:

The applicant establishes, albeit aggregated, a clear targeting of services to communities and geographic areas that will meet at least one of the competitive priorities via stated goal #2, found on page 13 of the application narrative: "A minimum of 65% of the Charter Schools served will served during each project year will at least meet one of the following criteria" and goes on to list the criteria of being located in a district where a majority of students don't meet math or language proficiency on the state assessments, in a district with 50% or more FRL, have or are projected to have more than 50% FRL themselves, or are located in an economically distressed census tract under the New Market Tax Credit Program.

Furthermore, the applicant references past record of portfolio of schools, with 68% of schools served having a majority of low-income students, found on page 26. This lends credence to its prioritization of services targeted towards communities with a high % of low-income students.

Weaknesses:

Because the goal is aggregated, it is unclear to what extent each individual competitive priority will actually be targeted, though the applicant offered its past record of prior schools and their % of low-income students, which mitigates some of the uncertainty generated by aggregating the competitive preference priority goals.

Reader's Score: 4

Status: Submitted

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