

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

Status: Submitted

Last Updated: 08/26/2019 07:15 AM

Technical Review Coversheet

Applicant: Massachusetts Development Finance Agency (S354A190002)

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	13
Capacity		
1. Capacity	35	34
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	93
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	4
Competitive Preference Priority 2		
1. CPP2	5	4
Competitive Preference Priority 3		
1. CPP3	5	4
Sub Total	15	12
Total	115	105

Technical Review Form

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

Reader #1: *****

Applicant: Massachusetts Development Finance Agency (S354A190002)

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) The applicant's guarantees would be critical for enabling charter schools to obtain financing, leasehold improvement loans, and offering lower interest rates. Tax-exempt bonds structured with a charter school guarantee generate interest savings of approximately 1.0% and 2.-3.0% interest savings compared to using a subordinated loan. (page e25) An analysis of today's market rates and terms confirm the savings benefits of charter school guarantees.
- (2) The applicant is targeting the [REDACTED] request for 21 schools identified in their pipeline that meet all competitive preference criteria. The project goals, objectives, and timeline is reasonable given their track record. They will commit approximately 50% of financings to schools meeting all three criteria and all projects will meet at least one criterion.
- (3) The program will service a minimum of five charter schools within the first three years of the award, leverage \$ [REDACTED] in loans or bonds within the first three years with a minimum leverage ratio of 7:1. (page e27) They will utilize the same program design, structure, and systems as indicated in their logic model. The project implementation plan and activities were reasonable and likely to achieve measurable objectives.
- (4) The applicant has a working relationship with MassDevelopment, the Massachusetts Charter Public School Association (MCPSA), and the Massachusetts Department of Elementary and Secondary Education (DESE). These

relationships and closings from 2015 to present indicate that the applicant has the ability to replicate the model.

(5) The Charter School Credit Enhancement Program will target services and give priority to schools that are high performing and meet at least one competitive priority. The applicant will commit to all schools meeting at least one competitive priority and at least 50% will meet all three. (page e 33)

(6) Typical charter school financings in Massachusetts are tax-exempt bonds purchased by local banks. The grant program provides equitable access to funds at a higher loan to value (LTV) financing up to 120% of collateral value versus the typical 80% LTV received without the enhancement. (page e24)

(7) The landscape of charter education has changed over the years. Massachusetts was highlighted in January of 2019, by the National Alliance for Public Charter Schools (Alliance) as a leading state for comprehensive charter school monitoring and data collection, as well as having a clear lottery process. The success of this model changed their ranking from 13 to 12. (page e36)

Massachusetts has been chosen by the National Association Charter School Authorizer (NACSA) to become part of the Quality Practice Project Leadership, Commitment, Judgement because of their strong charter school laws.

(8) The applicant's experience and plan of the project, the requested grant amount and project costs are reasonable in relation to the objectives, design, and potential significance of the project.

Weaknesses:

(1) The application notes the applicant's inability to secure local commitment prior to submitting application. They have an A+/stable/A-1 credit rating from S&P and two banks wrote letters expressing interest in working with them should this grant be awarded. This raises a question as to their financial stability and or issues in the lending community.

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) Legislation changes has increased the charter school cap doubling the number of seats available in the lowest-performs districts from 9 to 18 percent during the past six years. The intent was to replicate and expand the highest performing charter schools. These changes doubled applicants for new schools to 108 versus 55 in the preceding five years. (page e36) This identifies the need of charter schools to be served.

(2) The Credit Enhancement Fund originated with Massachusetts charter schools with MassDevelopment having a role in the secondary early stages to ensure that the program was meeting clearly identified needs. (page e40) In 2003 they established a Charter School advisory Board that included DESE and 40 charter schools taking part in the charter schools need assessment. The committee reports semi-annually and meeting annually to review and discuss these needs. This and the two letters of interest from local banks speaks to the involvement with the design of the request.

(3) MassDevelopment offers both technical and financial assistance to charter schools discussing a variety of programs and cost effective strategies. This model ensures that funds reach quality charter schools with the greatest need for assistance. (page e43)

4) The applicant works with the Commonwealth's DESE to assure funds reach charter schools with the highest likelihood for success. Methodologies used for measurement include the Massachusetts Comprehensive Assessment System (MCAS) test scores and DESE's evaluation of the school's Composite Performance Index. Additionally, they review annual evaluations by the DESE.

Weaknesses:

Technical assistance mentioned but no examples in the application to demonstrate 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.

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:

(1) MassDevelopment was created in 1998 and is the state's finance and development authority. They've issued 83 tax-exempt bonds and Qualified Zone Academy Bonds (QZABs) totaling [REDACTED]. During 2018 they financed or managed 384 projects.

As of March 31, 2019 the applicant has 247 loans and guarantees totaling \$ [REDACTED] under management in their portfolio, including 18 charter school loan guarantees totaling [REDACTED].

(2) They have an A+/stable/A-1 credit rating from S&P. Audited financials as of June 30, 2018 show assets exceeding liabilities by [REDACTED] confirming their stability and solvency.

(3) Established policies and procedures are in place to mitigate risk. (page e48) Ongoing monitoring is part of their business model as loans and guarantees are risk rated on a 1-6 scale. No charter school guarantees in their portfolio are rated 5 or 6.

The applicant has established internal loan monthly portfolio report and analysis by Portfolio Administration which is submitted to senior management. An additional external review is conducted by Cobblestone Management, LLC who has given the overall management of the portfolio a satisfactory rating.

Portfolio loan and guarantee loss has been small over the past 7 fiscal years. No charter school loan guarantees are currently in default and no payment has been made under any of the charter school loan guarantees. (page e51) However, there is no information provided to determine if the losses pertain to any charter school loan.

(4) For expertise on education matters MassDevelopment works with the MCPSA and DESE's Charter school office. They were both instrumental in designing the Charter School Credit Enhancement Program. (page e52)

(5) Standards of conduct and conflict of interest are enabled through legislation in accordance with Chapter 268A of the Massachusetts General Laws and State ethics laws. (page e82-e99) Employees complete on-line ethics training bi-annually along with counsel training sessions for both employees and board members regularly. Code of conduct is also included in the MassDevelopment Employee Handbook.

(8) Their effective management of the Credit Enhancement Program is reflected in 47 guarantee transactions total more than [REDACTED] million enabling 34 schools to improve their facilities effective 3/31/2019. Relationships with MCPSA, DESE's Charter School Office keeps them current of financing needs.

Weaknesses:

(4) For expertise on education matters they rely on external organizations. Given their size and experience the applicant should have someone internally versed on education matters.

Reader's Score: 34

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) The applicant has nine highly experienced project personnel who have been with the organization for several years. The Senior Vice President for Institutional Finance and has worked for the organization for 18 years. The other Senior Vice President of Lending has, loan underwriting, original documentation, portfolio and risk management experience. Other personnel have related experience to support these positions and program administration.

(2) The staffing plan for the grant has depth and they have full access to resources of the MassDevelopment Finance Programs Division. This includes lenders who are primary contacts and portfolio administration staff. These resources ensure that technical assistance and program management are readily available.

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:

1) Support and improvement under the Elementary and Secondary Education Act (ESEA), as amended by the Every Student Succeeds Act (ESSA). The application included information about the 21 schools in their pipeline along with an analysis about the number falling within one or multiple priorities.

Weaknesses:

The application did not include enough sufficient information to demonstrate that schools in the pertinent priorities would be addressed. They will commit to 50% of the financings meeting at least one competitive requirement but unclear as to how this would be determined

Reader's Score: 4

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:

- 2) Located in geographic areas where students perform below "proficient" on state academic assessments. The application included information about the 21 schools in their pipeline along with an analysis about the number falling within one or multiple priorities.

Weaknesses:

The application did not include enough sufficient information to demonstrate that schools in the pertinent priorities would be addressed. They will commit to 50% of the financings meeting at least one competitive requirement but unclear as to how this would be determined

Reader's Score: 4

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:

- 3) Located in communities with large proportions of students from low-income families. (page e19-e20) The application included information about the 21 schools in their pipeline along with an analysis about the number falling within one or multiple priorities.

Weaknesses:

The application did not include enough sufficient information to demonstrate that schools in the pertinent priorities would be addressed. They will commit to 50% of the financings meeting at least one competitive requirement but unclear as to how this would be determined

Reader's Score: 4

Status: Submitted

Last Updated: 08/26/2019 07:15 AM

Status: Submitted

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Technical Review Coversheet

Applicant: Massachusetts Development Finance Agency (S354A190002)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	32
Quality of Project Services		
1. Project Services	15	12
Capacity		
1. Capacity	35	32
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	91
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	4
Competitive Preference Priority 2		
1. CPP2	5	4
Competitive Preference Priority 3		
1. CPP3	5	4
Sub Total	15	12
Total	115	103

Technical Review Form

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

Reader #2: *****

Applicant: Massachusetts Development Finance Agency (S354A190002)

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. The applicant's planned use of the requested award would provide significant benefits to the assisted schools in the form of access to financing that would otherwise not be available to them and in higher loan-to-value ratios and lower interest rates and both first and subordinate debt (e24-25).
2. The applicant's project goals, objectives and timelines are detailed, sound, measurable and achievable and would further the purposes of the program.
3. The applicant's partnerships, especially with the authorizing authority and with the charter trade association effectively complement their skills.
4. The applicant's use of the CE to enable schools to obtain low borrowing costs and higher loan to value rates through use of direct placement on tax-exempt bonds seems like it could be replicated by other "issuing authorities."
5. The applicant describes reasonable financial criteria for selecting schools for assistance and determining the level of assistance that would be provided.
6. The applicant would obtain strong leverage – including other state and philanthropic commitments.
7. The applicant's activities would all serve Massachusetts charter schools, and MA has strong charter laws.
8. The applicant's requested award is reasonable in relation to the objectives, design, and potential significance of the proposed project.

Weaknesses:

1. The applicant has a strong approach to underwriting the financial situation of potential recipients of assistance, but it is less clear how much they weigh or are able to assess the likelihood of educational success because they do not have substantial educational expertise internally and their partner is the authorizing agency that is expert in how schools have performed, but normally would not make judgments about how schools are likely to perform in the future.

Reader's Score: 32

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. The applicant's plan effectively addresses the needs of assisted charter schools for facility financing by offering an enhancement that would allow schools that would not otherwise qualify to obtain bond financing that would enable higher LTVs, lower interest rates, address total project costs in a single loan and that could also be used for leasehold improvements.
2. The applicant reports that the idea for creating a credit enhancement fund came from the state's charter school association, MCPSA, that schools are surveyed for input about the program and their facility needs periodically and that its advisory board includes a representative from a charter school as well as the head of MCPSA. In addition, the applicant had very significant engagement and partnership with the chartering agency, DESE, in the design of the program and its implementation.
3. The applicant offers a variety of services relating facility development and financing some at no cost and many at low cost.
4. The applicant has a strong process for assessing the likelihood of schools financial success and will target assistance to schools in opportunity zones as a way of reaching the schools with greatest need.

Weaknesses:

- The applicant offers an array of programs to assist charter schools with facilities financing, but it isn't clear to what extent other programs like site remediation loans and real estate consulting services are utilized by charter schools.
- The applicant is dependent on DESE for assessing the likelihood of the educational success of schools that might be assisted. While DESE as the regulator of the schools is undoubtedly knowledgeable about their operations and current performance, normally making subtle distinctions and judgments about the future potential of schools would be beyond their purview.
- Because the applicant plans to target their assistance to schools in opportunity zones, they may end up assisting most or all of the eligible schools and thus have limited ability to have their decisions driven by their underwriting process.

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 existing programs for charter financing the applicant has extensive experience in carrying out the proposed activities.
- The applicant is a substantial quasi-governmental agency that has a strong balance sheet and credit rating.
- The applicant has extensive experience and strong systems for risk management in loan underwriting, portfolio management and financial management.
- The applicant has sound conflict of interest requirements and policies that include an annual requirement for training about conflicts and ethics and separate policies that apply to lending and procurement.
- The applicant has strong investment banking and lending expertise and through partnerships it is able to benefit from the education and charter school administration knowledge of DESE and MCPSA.
- The applicant has performed satisfactorily well with previous CE awards having provided credit enhancement to 34 schools with high levels of leverage and no losses paid under any of the credit enhancements.

Weaknesses:

- The applicant's partnership with the state's chartering authority and the state charter school trade group addresses its limited knowledge of the education sphere, and both are represented on the program's advisory board, but the applicant does not provide details about the extent and nature of the roles and responsibilities that they have in program operations.
- The applicant does not specifically address steps that the state has taken to ensure that charters have funding to ensure adequate facilities, and while charter support levels are fairly high real estate costs are also high in the state.

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:

- The applicant's staff has a long track record in issuing bonds, making direct loans and issuing credit enhancements for dozens of charters and based on that experience, and their other professional background and training they are well highly qualified and experienced and the staffing plan for the project seems reasonable.

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:

- The applicant makes a commitment that each of the schools that it will assist will meet at least one of the priorities and at least 50% will meet all three, and these projections seem achievable given their track record and project plan.

Weaknesses:

- Though the applicant's commitment to meeting the priority preferences is good it is not as strong as it would be if they committed to meeting each of priorities with each group assisted.

Reader's Score: 4

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 makes a commitment that each of the schools that it will assist will meet at least one of the priorities and at least 50% will meet all three, and these projections seem achievable given their track record and project plan.

Weaknesses:

- Though the applicant's commitment to meeting the priority preferences is good it is not as strong as it would be if they committed to meeting each of priorities with each group assisted.

Reader's Score: 4

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 makes a commitment that each of the schools that it will assist will meet at least one of the priorities and at least 50% will meet all three, and these projections seem achievable given their track record and project plan.

plan.

Weaknesses:

- Though the applicant's commitment to meeting the priority preferences is good it is not as strong as it would be if they committed to meeting each of priorities with each group assisted.

Reader's Score: 4

Status: Submitted

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Status: Submitted

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Technical Review Coversheet

Applicant: Massachusetts Development Finance Agency (S354A190002)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	32
Quality of Project Services		
1. Project Services	15	12
Capacity		
1. Capacity	35	34
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	93
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	3
Sub Total	15	9
Total	115	102

Technical Review Form

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

Reader #3: *****

Applicant: Massachusetts Development Finance Agency (S354A190002)

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 proposes to implement the Credit Enhancement grant to secure additional bond financing up to 120% loan-to-value, which helps schools with limited cash resources for an equity contribution, as well as schools who may be looking to finance a facility where the acquisition and improvement costs don't translate dollar for dollar into an equal, appraised value.

The applicant presents a clear set of project goals and objectives, that are both measurable and appropriate, evidenced by the 4 measures and subsequent targets under each measure detailed on pages e27 through e29. The goals and objectives are appropriate because they are aligned with the broader goals of the Credit Enhancement program.

The implementation plan presented on page e31 is delineated through a detailed Gantt Chart. The timeline has sufficient detail around when the applicant intends to deploy capital, as well as details about when it will be building awareness around the new program, setting up administrative systems for grant tracking and compliance monitoring, as well as ongoing underwriting.

Evidence of replicability is presented on page e55 via the applicant's success with the four other Credit Enhancement grants it has received and the outcomes it has been able to achieve in terms of leveraging private dollars. The applicant also identifies critical elements necessary for replication by other organizations on page e32, specifically those aspiring to

replicate the program would need "to get local banks to purchase tax- exempt bonds and accept the guarantee product as collateral. We spend a lot of time talking to bank CFO's and lenders, showing the value of combining the charter school guarantee with the purchase of a bond. To replicate this model, other grantees would need to collaborate with their state's respective bond issuing authorities if the grantee did not have bonding powers."

The applicant cites Massachusetts as having one of the nation's strongest charter laws where its development and lending work is focused. The applicant offered the recent ranking of a 12 out of 43 by the National Alliance for Public Charter Schools as proof of the strength of its laws, which also is reflective of an improvement in ranking from the prior year.

Weaknesses:

The applicant fails to identify clear criteria for selecting charter schools, except that the charter schools would meet at least one of the competitive priorities. In terms of the type and amount of assistance, the applicant says it will make an assessment of project viability, but it fails to define what project viability is.

Reader's Score: 32

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 provides a knowledgeable understanding of the needs of Massachusetts charter schools, as evidenced by its understanding of available facility funding landscape (page e39), as well as the barriers that prevent Massachusetts charter schools from tapping into the conventional loan market or securing financing in excess of the 5 year charter term.

The applicant's prior application to the Credit Enhancement program and iterations thus far have been crafted in consultation with DESE, as well as charter school and charter school support organizations.

The applicant articulates a clear focus on high performing schools, as well as a targeting of schools that meet the competitive and invitational priorities. In this regard, the applicant is demonstrating that there is a priority to help schools with the best likelihood for success and the greatest demonstrated need. By collaborating with DESE to approve schools for financing, it is able to tap into its expertise of what makes a school high quality.

Weaknesses:

The applicant offers up evidence of technical assistance and other services to be offered, but it doesn't provide enough evidence that they incorporate the use of cost-effective strategies to increase charter school access to facilities financing. It is likely that those are achieved or intended outcomes, but the technical assistance appears to be driven primarily by need of the development process.

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:

The applicant has over 20 years of financing and development experience, issuing almost \$820 million in various bonds; it is one of Massachusetts' largest issuer of tax-exempt bonds.

The applicant has a S&P credit rating of A+/stable/A-1.

The applicant included a detailed overview of its risk management and risk rating system, from the application process through underwriting, approval, and ongoing monitoring. The applicant also included its loan underwriting guidelines on pages e206 to e219. The risk management and risk rating systems, as well as the loan underwriting guidelines are in line with generally adopted and implemented best practices in the lending community. Furthermore, the applicant cited that it had no losses to date under the Credit Enhancement program, and its total loan losses have historically been 1.58% or lower (page e51), which lends credence that it is effectively protecting against unwarranted risk throughout underwriting, portfolio monitoring, and financial management.

The applicant cites the State Ethics law, as well as the required bi-annual trainings for all employees on ethics, as

evidence that it has the ability to prevent conflicts of interest. The applicant also references its procurement policy, which provides the legal process for hiring third party vendors, as another way to prevent conflicts of interest by employees and leadership.

The applicant had 4 prior Credit Enhancement awards, all of which have been highly leveraged and suffered no losses to date (page e55).

The applicant outlines an extensive list of 7 key activities on page e54 that range from issuing bonds to making direct loans to managing the Credit Enhancement program to collaborating with DESE and MCPSA to stay abreast of financing needs of charter schools, to conducting charter school outreach about various financing products to assisting schools trying to leverage Opportunity Zones and New Market Tax credits.

Weaknesses:

The applicant states on page e51 that it relies on MCPSA and DESE for education expertise, but it doesn't provide evidence that it also internally possesses that educational expertise. This raises questions about the applicant's expertise to be able to evaluate the likelihood of a success of a charter school, though this is partially mitigated by its track record to date lending to high quality charter schools.

Reader's Score: 34

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:

The applicant provided a summary of key personnel to be involved with the Credit Enhancement grant that have evidence of relevant expertise and experience. The expertise and experience presented is subject matter specific and directly involved in existing Credit Enhancement activities, which provides credible support that the applicant will be able to successfully implement this project with these personnel.

The applicant provided an organizational chart, which provides an overview of the various teams involved with the Credit Enhancement grant in effect, and it also demonstrates that the applicant can deploy additional credit enhancement dollars without a significant change or increase to its staffing infrastructure.

Weaknesses:

None

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:

The applicant commits that 50% of financing will meet all three competitive preference priorities, with all projects meeting at least one of the three competitive preference priorities.

Weaknesses:

The applicant does not explain specifically how it will target the services towards geographic areas in which a large number of public schools have been identified for comprehensive support and improvement or targeted support under ESSA. Furthermore, it doesn't clarify how many of the 21 schools in its pipeline meet this individual preference priority.

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 commits that 50% of financing will meet all three competitive preference priorities, with all projects meeting at least one of the three competitive preference priorities.

Weaknesses:

The applicant does not explain specifically how it will target the services towards geographic areas in which a large proportion of students perform below proficient on State academic assessments. Furthermore, it doesn't clarify how many of the 21 schools in its pipeline meet this individual preference priority.

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 commits that 50% of financing will meet all three competitive preference priorities, with all projects meeting at least one of the three competitive preference priorities.

Weaknesses:

The applicant does not explain specifically how it will target the services towards communities with a large proportion of students from low-income families. Furthermore, it doesn't clarify how many of the 21 schools in its pipeline meet this individual preference priority.

Reader's Score: 3

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