SELECTION CRITERIA 1: QUALITY OF DESIGN & SIGNIFICANCE OF PROJECT

*(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***.**

Civic's two initiatives, Development in New York City (NYC) and Lending into up to 13 states and the District of Columbia, address the substantial financing challenges faced by charter schools and result in vastly improved rates and terms. Many schools are unable to secure financing for capital projects for the following reasons:

- Project costs, and relatedly, loan amounts in Civic's target geographies are very large (usually more than $10 million). This requires multiple sources of capital, including conventional banks, Community Development Financial Institutions (CDFIs), philanthropic grants and other sources of cash equity;
- Most charter schools open with a fraction of their planned enrollment, growing enrollment one grade per year. Since funding is linked to enrollment, schools do not realize their revenue potential until they fully enroll all grades. This is a significant risk factor for lenders;
- Charter schools lack construction experience and have difficulty attracting construction loans;
- Schools are often perceived as having weak credit profiles due to the relatively short authorization period (typically five years), limited operating track-record and a compromise between build strong balance sheets and appropriately funding academic programming.

Development: New York has the most generous facilities funding formula in the nation. A New York State law passed in 2014 created a process for all charter schools that are new or adding grade levels that results in either the receipt of co-located space in a district building; private building space provided at no cost; or funding to cover rental expenses up to 30% of the per pupil allocation ($4,358 in the 2017-18 school year). This subsidy is an incredible resource in NYC. New York State's investment in the lease assistance program is growing rapidly: $51.9 million in fiscal year 2018 and likely rising to $62 million in fiscal year 2019. According to a 2017 assessment of the NYC public charter school landscape by Parthenon EY, commissioned by the Walton Family Foundation (WFF) and the Robin Hood Foundation, there are roughly 30,000 student seats chartered but not opened, or opened and operating in temporary space. These schools will require approximately 60 permanent school buildings. Even though NYC charter schools now have adequate revenue to service debt, lenders are still reluctant to make eight figure loans to schools that generally have limited operating track-record, thin balance sheets and limited real estate development expertise. Without a solution, high-quality charter schools will not be able to meet their growth plans, thousands of children will be denied an opportunity to receive a high-quality education, and millions of dollars of committed state funding may go unutilized.

Civic plans to leverage Credit Enhancement Program (CEP) funds to finance upfront capital costs for new school development, and in doing so, unlock the long-term public subsidy available to schools through rental assistance funding. Civic will utilize CEP funds to attract financing to charter school development projects at better rates and terms than those schools could otherwise receive in the market. In combination with CEP grant funds, Civic invests substantial equity into development projects, which most charter operators do not have. Civic manages the pre-development and development processes, which transfers construction risk from the school to Civic and gives lenders comfort that the complex real estate development process will be well executed. Civic offers lenders its balance sheet as a further guarantee during construction, which is almost always more valuable to the lender than the school's own balance sheet.

Civic strategically uses CEP to mitigate lender risk, particularly as the school is scaling and before it receives its first re-authorization. Civic's use of the CEP is particularly innovative and drives lower cost borrowing due to negotiations with multiple lenders to determine which lender will provide the most efficient execution for the least amount of enhancement. This competitive process does not happen with grantees who use the enhancement to support their own loans. This comprehensive strategy ensures that schools receive on-time delivery of a high-quality school building at lower rates than they would otherwise have received.

For example, Classical Charter Schools (CCS) is an emerging network of high-performing K-8 schools in the South Bronx. In 2014, its first school, South Bronx CCS I (SBCCSI), was recognized as a National Blue Ribbon School under the “Exemplary High Performing” designation. On the 2017-18 state tests, SBCCSI performed among the best in NYC, with students achieving over twice the proficiency rate as peers in district schools city-wide and nearly five times the proficiency rates of peers in sending district schools where students would otherwise be attending. Despite this tremendous academic success in low-income neighborhoods where district schools are failing, CCS’s replication plan required support from Civic to develop a private facility as it was facing many of the headwinds previously described. Civic and CCS are partnering to design and open this newly constructed, 52,000 square foot space in summer 2020. This project is a prime example how Civic can utilize CEP funding to finance charter schools at better rates and terms than they can receive absent assistance through the program. A commercial lender would not lend to the South Bronx CCS IV project. The school would have to seek more expensive CDFI loans, paying approximately 150 basis points more than Civic's cost of debt, which translates to annual savings for the school of $269,000.

Lending: Civic's pilot Facilities Investment Fund (FIF) was capitalized by the Walton Family Foundation (WFF, subordinate lender and source for fund reserve requirements) and Bank of America Merrill Lynch (Bank of America, senior lender). FIF accesses these two funding sources to provide five-year construction/mini-permanent loans to school borrowers. The innovative structure provides benefits to schools in two significant ways:

1) Below-market rates: The provision of fund-level reserves drives lower pricing from the commercial lender. Using highly subsidized subordinate capital from a philanthropic provider further blends down the commercial lending rate. As a result, FIF is able to offer schools interest rates that are approximately 150 basis points (bps) below CDFI interest rates.

2) Large loan size: FIF is able to offer schools senior loans of up to $20 million so long as the loan to value (LTV) ratio does not exceed 90%. While CDFIs sometimes have a more flexible LTV ratio, individual loan sizes are typically capped around $8 million.

Overall, FIF delivers the most efficient senior capital solution to schools that struggle to attract commercial debt due to the perceived risks previously described. Civic is replicating the FIF program by capitalizing a second fund and plans to use CEP funds to provide enhancement in the form of fund-level reserves to FIF's senior commercial lender. This will allow Civic to attract the most cost effective and flexible commercial bank loan to FIF and subsequently enable FIF to continue to deliver low-cost loans to high-quality schools.

For example, KIPP Indianapolis was able to leverage a FIF loan to build a high school facility that would draw enrollment from its existing elementary and middle school campuses. The ability to access a senior loan for 90% of the project's value that was 150 bps lower than other CDFI options saved the school $130,000 in annual debt service payments. This money will instead be invested back into its academic program and student success initiatives in its critical, early years of growth.

*(2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program***.**

Civic's experience and robust infrastructure informs measurable and achievable goals and objectives for the CEP grant across development and FIF lending over a five-year timeline:

- **Goal One:** Expand access to capital for charter school facility projects across high-need geographies:
  - Measurable Objective: Leverage $193.2 million of private capital (a combination of debt and philanthropy) at a rate of 17:1, within the first five years of the grant.
- **Goal Two:** Address demand by providing new high-quality options for low-income students:
  - Measurable Objective: Deliver 18 facilities serving 8,250 students for schools that demonstrate high need as measured by percentage of economically disadvantaged student populations and operating in districts performing below state average proficiency levels.

- **Goal Three:** Expand access to capital for charter school facility projects to support a variety of school borrowers:
    - Measurable Objective: Increase the types of schools able to access affordable financing by focusing on schools that have not yet undergone their first reauthorization. At least half of schools supported will meet this criteria.

*(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***.**

History of Execution: Civic has a strong history of execution in both of its primary business lines: development and lending. Civic has a nearly 20-year track record of solving diverse facilities-related needs of public charter school communities through innovative real estate and finance solutions. In 2002, Civic launched an innovative non-profit development model for charter schools and has executed well on that model, serving 40 schools in the ensuing 17 years. Civic successfully deployed the $8.3 million CEP allocation received in 2008, which is a key driver in seeking additional allocation to replicate these strong results.

Civic first provided a New Markets Tax Credit (NMTC) leveraged loan into a charter school transaction in 2010 after it was awarded an allocation of tax credits as a result of a competitive application process. Civic subsequently deployed $118 million in NMTCs (awarded over the course of four grant cycles) to support twelve projects in seven states and the District of Columbia (New York, Michigan, Louisiana, California, Massachusetts, Indiana and Georgia). Civic brought together Bank of America and WFF to publicly launch FIF in the first quarter of 2018, a groundbreaking collaboration between philanthropic and commercial capital that resulted in the ability to offer charter schools the best possible mini-permanent loan terms. Civic attracted the necessary capital, structured the program and is on track to fully commit the funds by the end of 2019.

As a developer, Civic has brought a total of 1.2 million square feet of charter school real estate online and in doing so has earned a strong reputation among those in the charter school community for its ability to deliver affordable, high-quality facilities. In 2007, Civic was awarded an $8.3 million CEP allocation, which was leveraged in development projects to access $240 million in total capital to create facilities for 14 schools serving over 5,000 economically disadvantaged students in need of high-quality education choices.

From a lending perspective, Civic has committed $47 million into five FIF loans nationwide, invested $118 million in NMTC allocations, and loaned $1.4 million of unsecured debt to New York area schools. Civic brings to bear experience, expertise, and economies of scale that cannot be achieved by individual charter schools or charter management organizations (CMOs).

<u>Demand for Expansion of Services:</u> According to a 2017 assessment of the NYC public charter school landscape by Parthenon EY co-commissioned by WFF and the Robin Hood Foundation, charter operators are planning to open or expand schools serving approximately 80,000 additional students across all five boroughs by 2026. Civic has a robust pipeline of schools interested in both its development and lending platforms to address this demand. Civic's development pipeline includes 20 high-quality schools launching or expanding throughout low-income communities

across NYC. Total project costs for these schools exceed $530 million. See Appendix 6a – Civic Development Pipeline for detailed information.

Civic also manages an active pipeline with demand for over $150 million in FIF loans (see Appendix 6b - FIF Pipeline) across 13 states (Arkansas, California, Colorado, Georgia, Indiana, Louisiana, Massachusetts, Missouri, New Jersey, New York, Oklahoma, Tennessee and Texas) and the District of Columbia. These states were prioritized in the FIF portfolio because of the high percentages of student populations not meeting proficiency standards in economically distressed census tracts; the evidence of demand for better options as these communities have a large number of under-performing public schools; the need for innovative financing to address facilities constraints; and the fact that these cities are located in states with strong charter school laws.

<u>Leveraging Key Partnerships:</u> Civic's sustained partnerships with philanthropic organizations, education intermediaries, lenders and other stakeholders have yielded tremendous opportunities for disadvantaged students.

To date, Civic has secured over $95 million of philanthropic capital for its development and lending work from some of the nation's leading funders including WFF, the Bill and Melinda Gates Foundation, the Michael and Susan Dell Foundation, the Robertson Foundation, Citi and many more (see Appendix 6c - Financial Supporters).

Since its founding, Civic has partnered with community based organizations to inform its work. In NYC, Civic has developed an extensive relationship with The New York City Charter School

Center (the Charter Center), and both of the state's authorizing bodies, State University of New York (SUNY) and New York State Education Department (NYSED). Outside of NYC, Civic engages with quarterback organizations, State Education Departments, and state charter schools associations to advise Civic on school quality, design, and partner selection while Civic provides information regarding real estate strategies to these organizations. This partnership is reflected in the support letters from such organizations, found in Appendix 6d - Letters of Support.

Civic works with a variety of lenders, including traditional lenders, such as Bank of America, M&T and Eastern Bank, as well as CDFIs, such as the Low Income Investment Fund and Local Initiatives Support Corporation, many of which have received federal CEP funds. Familiarity with these lenders allows Civic to bring affordable financing packages to each school transaction.

(4) The extent to which the project is likely to produce results that are replicable.

Civic's work as a non-profit developer in NYC served as a model that has been replicated by Pacific Charter School Development Corporation with a primary focus on West Coast schools. Throughout the years, Civic Builders has continued to share best practices with other non-profit developers, including Charter School Development Corporation and Building Hope.

FIF has committed $47 million to date and is on track to fully commit its remaining $53 million in capital by the end of 2019. As a result of the success of the first fund, Civic is in the process of replicating FIF. The strong demand and current pipeline (in excess of $250 million in prospective projects seeking funding for 2020 and beyond) demonstrate the need for expanding and replicating this lending program using new sources of capital, including CEP. In order to speed the replication process for other organizations interested in pursuing this strategy, Civic will provide a consolidated summary of the factors, tools, and approaches that allow charter schools to access both NYC development and FIF lending services to ensure that the learnings are passed along to other operators that face similar challenges. To this end, Civic will publish a playbook that:

- Aggregates relevant insights from the full spectrum of development and lending/fund management services that Civic provides;
- Presents a framework for understanding and evaluating applications of CEP funds;
- Illuminates best practices and strategies for CEP utilization both for others interested in creative application of CEP (like CDFIs and non-profit developers) and those seeking to benefit from the allocations (e.g., school operators); and
- Provides a compelling vision of a future CEP work to act as a catalyst for meaningful, additional innovation within the charter school lending and development space.

Civic believes this playbook can serve as a tested blueprint for replicating and expanding the impact of the program nationally in high-need areas.

*(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***.**

School Selection: Civic is well positioned to apply selection criteria and determine the appropriate amount and type of assistance it provides each school. Starting with its development work, Civic has created a sophisticated selection process, which has resulted in an NYC charter school portfolio in which 92% of schools performed at or above comparative districts in Math and English

Language Arts (ELA) and 70% of portfolio schools performed over 20 percentage points higher in Math than comparative districts in the 2017-18 state exams. Furthermore, for the last five years, Civic's NYC high school graduation rate has consistently been over 90%. Civic is not just focused on selecting schools that have academic promise, but also recognizes the strong correlation between low-income communities and lack of quality educational opportunities. In response, Civic's work has targeted highly distressed communities where traditional district schools have proven unable to provide a quality educational options. In fact, four out of five students attending a Civic school live in deep poverty. Civic has expertise in selecting school partners who produce life-changing outcomes for these student populations.

Through Civic's growing and evolving suite of charter school focused services, it has developed a robust underwriting process that was ultimately codified as part of the infrastructure of FIF (see Appendix 6e - FIF Credit Manual, and Selection Criteria 4: Quality of Project Personnel). Civic will utilize CEP funds to support facilities projects for academically high-performing, fiscally-sound and operationally-strong charter schools that address the needs of underserved communities in all service lines and geographies. The core focus areas of Civic's underwriting criteria, detailed in Appendix 6e - FIF Credit Manual are as follows:

- Local market and political landscape in which schools operate;
- CMO and school governance and management structure and capacity;
- Enrollment history and demand characteristics;
- Academic performance outcomes and performance against authorizer criteria;
- School financial health, including the affordability of the proposed project; and

- Facilities project feasibility.

In addition to these core principles, the CEP-funded investment portfolio prioritize projects with the following characteristics:

- Designated as Focus Districts under the Elementary and Secondary Education Act (ESEA);
- Schools located in districts where 50% or more students are performing below proficient on state assessments;
- 60% or more students are economically disadvantaged; and/or
- Demonstrated need for new, high-quality seats based on demographic analysis.

Sizing Allocation: The amount of enhancement provided to a specific project or program will vary. For development projects, Civic will use a customized approach to deploying CEP funds to maximize school benefit. For example, it might use the enhancement to capitalize a debt service reserve fund, obtain lower interest rates as a school scales, or encourage a lender to provide a larger loan. Civic's historic deployments show a track record of efficient deployment. Civic sizes the enhancement allocation to maximize the value attributed by the beneficial lender for the greatest overall savings to schools. Civic's modeling reflects a target of cap of 9% of enhancement for senior or subordinated debt. Civic has been using CEP funds quite successfully in this manner for many years. For a Lending fund like FIF, Civic will target deploying an amount not to exceed 7% of the senior lending capital.

(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 A-19 facilities needs more than would be accomplished absent the program.

Civic will utilize the proposed CEP allocation to leverage a combination of philanthropic, commercial and CDFI capital on behalf of its development and lending projects. Civic's performance on the grant received in 2008 indicates that Civic has leveraged the initial $8.3 million grant to attract $240 million in total capital, for a leverage ratio of 22:1. Civic is proposing that the additional $10.2 million allocation requested would be leveraged 17:1 against $193.2 million in additional capital (philanthropic, commercial and CDFI capital). Focusing specifically on the ability to leverage debt, the initial 2008 application supported $93.8 million in debt (9:1), while Civic's current request estimates $148.6 million in debt capital at a ratio of 13:1.

The CEP grant will help Civic to expand its scope of activity both in terms of the number of schools served and serving a wider cross section of charter schools. Civic's development work is targeted at schools that require support in executing on a facilities project, whether high growth networks or early stage standalone schools. FIF serves schools that are not yet positioned to access a permanent debt solution, such as a tax-exempt bond, but still require a low-cost, high LTV capital solution. Often, schools cannot go directly to the bond market due to operating history (e.g., still operating under its first charter), enrollment growth plan or timing of multiple projects hitting key milestones that would allow it to approach a permanent solution in a more effective way (e.g., bundling several post-construction projects into a single bond offering).

In the absence of CEP, Civic's programs would face additional constraints and operate with a more limited scope. Civic would have a substantially harder time sourcing low-cost, flexible debt to develop facilities schools with limited operating history or weaker balance sheets. Those projects that could attract debt, would be more reliant on costlier CDFI loans (versus commercial bank loans) which would translate to higher costs for schools, and fewer dollars available for supporting the school's academic program. Without CEP funding, scarce philanthropic resources will have to be redirected to funding reserves for the senior lender instead of providing the subsidized subordinated debt that blends down the cost ultimately offered to schools. As a result, FIF would scale more slowly and schools accessing FIF loans would have to choose between incurring higher borrowing costs or sourcing larger pools of equity, both of which would severely deter growth.

(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.

Civic will continue to target CEP funds to qualified schools where there is a pro-charter environment consistent with the following four criteria: (1) The State is accountable for meeting clear and measurable objectives for the educational progress of the students attending the school; (2) The State has multiple authorizers or a strong appeals process; (3) The State ensures charter schools have a high degree of fiscal autonomy; and (4) The State provides equitable access to capital funding and facilities. To evaluate how the states that Civic serves perform against the above criteria, Civic utilizes the National Alliance for Public Charter Schools (NAPCS) 2018 state rankings, and NAPCS data on the health of the charter movement in New York. In addition to considering the impact of state charter school laws as ranked by the NAPCS schools (see Appendix 6f - NAPCS Rankings for Proposed Deployment Geographies for the ratings for each state within

Civic's service area), Civic also taps into other resources that may impact the operating environment, including ongoing advocacy, pending legislation, partner organizations and local support structures.

- Advocacy: Civic partners with a number of organizations that are active in the advocacy space (the Charter Center, Democrats for Education Reform and Students First) that can help provide context around the trends in policies and legislation as well as information about what potential changes may be under consideration at any given time.
- Partner Organizations: Civic also conducts additional diligence on the operator/authorizer relationship, informed by the National Association of Charter School Authorizers (NACSA), the President and CEO of which is a member of the authorizing body for FIF loans (a letter of support from NACSA can be found in Appendix 6d - Letters of Support.)
- Local Support: There are cases where cities (such as Camden, NJ) may have specialized supports that counter weaknesses in state's laws, and where local quarterback organizations are active in compensating for shortfalls in the policy landscape at a state level.

Civic considers all of these factors in its market analysis when considering an investment.

(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.

The budget and assumptions associated with Civic's development work are based on nearly two decades of developing charter school facilities and more recent experience lending to charter schools. CEP funds will be used in support of these existing initiatives. Accordingly, there is no additional staffing or additional fees Civic charges to schools for use of these funds.

The entire grant amount requested will be leveraged for the benefit of schools. Civic's conservative projections show the financial viability of the entire project design over the five-year program period. Key assumptions of the cash flow pro forma are summarized below:

- Transaction Volume: Assuming a $10.2 million CEP award, Civic will deploy the funds over the five-year program period to finance an estimated 18 development and FIF transactions. Civic's financial model assumes a range of loan types and sizes based on historical trends, input from charter operators on financing needs, and the goals set forth in the project design. The actual number of transactions may vary depending on the average size of the loans.
- Leverage: Civic will achieve a 17:1 total leverage ratio (on combined debt and philanthropy) over the five-year program period. The $10.2 million in CEP is anticipated to facilitate up to $148.6 million in debt over the five-year period, with a direct debt leverage ratio of 13:1.
- Revenue: Projected revenues include earned interest income on outstanding loans, and interest earnings on reserve account funds.
- Expenses: The only expenses that are charged to the grant are Letter of Credit fees charged by bank lenders. All other expenses related to the administration of the grant are absorbed in Civic's operating budget.

SELECTION CRITERIA 2: QUALITY OF PROJECT SERVICES

(1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;

Development: Over the last three years, two thirds of charter schools applying to the New York City Department of Education for free space under the 2014 rental assistance law were rejected. As a result, those schools were forced into the private real estate market in order to find a facility and access supplemental facilities funding. In order for schools to meet their growth plans and family demand, the Parthenon EY study estimates show 195 private facilities will need to be created or improved by 2026. In fact, there are already 30,000 seats approved to open or operating in temporary space that require approximately 60 school buildings. While schools are able to service debt related to facilities costs via NY's favorable rental assistance funding formula, the true challenge for these schools is attracting debt from risk averse conventional lenders, and managing the technical complexity and cost hurdles of real estate development in NYC. If these challenges are not met, high-performing charter schools in NYC will not grow and serve more children. By leveraging CEP funds in combination with Civic's balance sheet, experience, and other resources, Civic is able to attract affordable capital for schools in the long-term.

Lending: Across the country, and particularly in states where charter operators receive low per pupil funding amounts, charters are unable to pursue permanent facilities initiatives without extremely affordable financing sources. The Facilities Investment Fund's (FIF) current interest rate of 4.48% (fixed for the full five-year term) for up to the lesser of 90% loan-to-value and $20 million is a very attractive source of financing to charter operators. At one end of the spectrum, commercial banks may be able to offer a charter operator a similar interest rate but are typically limited to 65% - 75% loan to value (LTV). At the other end of the spectrum, CDFIs are often able to lend up to 90% LTV, but have an absolute dollar limit around $8 million to charter schools but carry an interest rate that is 150 basis points (bps) higher than FIF's interest rate. FIF combines the best of both offerings. FIF is able to help make permanent facilities projects for charter operators possible, and also to limit the number of dollars spent outside the classroom to pay for facilities financing costs.

(2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for the project;

Since its inception, Civic has actively engaged with a variety of stakeholders to maintain a school-centric approach to assisting charter schools with their facilities and financing needs. Important thought partners for Civic include: the Northeast Charter School Association, the California Charter School Association, Building Excellent Schools, the Louisiana State Education Department, the National Association of Charter School Authorizers, the New York City Charter Schools Center (Charter Center), and New York State's two charter authorizers (State University of New York and the New York Board of Regents). Additionally, Civic consults with many of the country's most successful charter schools, including: Harlem Children's Zone, Achievement First, Uncommon Schools and many others. These partnerships have helped Civic develop a CEP project that provides maximum benefit to schools. (see Appendix 6d - Letters of Support).

Over the years Civic has yielded positive results by supporting schools with its CEP grant. Ongoing feedback from current tenants as well as the formation of new relationships and partnerships means that Civic is constantly refining its program to meet the needs of schools. The fact that Civic is funded by numerous supporters of the charter school movement also ensures that the needs of charter schools are aggressively addressed in CEP funded projects.

To develop its FIF lending program, Civic worked with a range of stakeholders to create a school-centric product. Initial market study and research and development work was funded by the Walton Family Foundation (WFF) and the Bill & Melinda Gates Foundation, and included interviews with 14 schools, foundations, lenders and other key stakeholders across the sector. Civic also invited feedback from local quarterback organizations, which are organized to curate school choice opportunities in given geographic areas (typically cities or counties). This entails recruiting school operators that can provide a spectrum of educational models and siting these schools in areas with the highest need. Finally, Civic consulted other national charter school stakeholders like the National Association of Charter School Authorizers (NACSA), Charter School Growth Fund and non-profit developers to ensure that the products terms would create the desired impact for schools.

(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.

Civic provides a significant amount of technical assistance to schools seeking facilities solutions at no cost. Civic is grant funded for this work by the nation's leading philanthropic foundations.

Development: Civic's cost structure for its development work, which only occurs if Civic successfully closes on a facility project for the school, is reasonable and at or below market:

1) Developer Fee: Civic typically charges up to a 5% developer fee. This is similar to other nonprofit developers and in contrast to for-profit developers who charge up to 10%.
2) Cost of Equity: Civic charges up to a 5% rate on its equity. This is far below the cost of equity capital from for-profit developers, who charge up to 20%, and below the cost of most non-profit developers in the charter sector.

Civic's ability to develop buildings on time and on budget ensures that the project expenses are kept to a minimum. As a repeat player in the real estate and charter school development markets, Civic is able to achieve an economy of scale that an individual charter would not be able to. In addition, Civic's extensive experience and established relationships with contractors and vendors dramatically decreases the chance of cost overruns and costly mistakes. Other money saving approaches honed by Civic include aggressive contract negotiation, value engineering, and proper materials selection. All of these savings are passed along to the schools.

Lending: FIF fees and lending terms are also cost effective and reasonable. FIF's origination fee is a standard 1%. What makes FIF's loan terms unique is that it delivers a conventional bank lender interest rate and loan amount and a CDFI LTV. Civic believes banks and CDFIs do not appropriately price charter school risk. FIF delivers a truly charter school risk based financing solution. This not only reflects Civic's track-record but also the industry experience of low loss rates especially with disciplined underwriting.

(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.

Charter schools, especially early stage schools that have yet to undergo their first charter renewal, face challenges in securing financing, as many conventional banks are not comfortable with the uncertainty of renewal. These earlier stage schools have a high demonstrated need for assistance, and the CEP program is incredibly valuable to this operator-type. Civic utilizes over 17 years of experience and successful track record with no loan losses, along with rigorous underwriting processes (as further outlined in Appendix 6e - FIF Credit Manual), in school partner selection to help mitigate these risks associated with early-stage schools.

Development. For example, one such charter school that is representative of a school that Civic expects to support with CEP is Key Collegiate Charter School (Key) in the Brownsville neighborhood of Brooklyn, NY. Key's founding head of school, Katie Mazer, completed the rigorous Building Excellent Schools fellowship before launching the school. Upon receiving their charter, identifying affordable, long-term space immediately was a challenge, and the school opened in temporary space. Meanwhile, Civic engaged with the school's leadership team to discuss permanent space. Key's team and academic model was evaluated through Civic's rigorous underwriting process. Civic also consulted with various intermediaries such as Building Excellent Schools and the authorizer and presented the school and transaction to the Civic Board of Directors for approval. After this process, Civic secured a site for the middle school and is on track to deliver the new, permanent home for the school by summer 2020.

Lending: Resurgence Hall (RHCS) approached Civic in late 2018 to request a FIF loan for the acquisition and renovation of a former church building to serve as the school's permanent site. RHCS was founded in 2017 by a team with prior experience working for Achievement First, KIPP, Uncommon Schools, and Teach For America. Tori Jackson Hines, RHCS' founding Executive Director, is a former Building Excellent Schools Fellow with over 10 years of experience in education. During its inaugural year, RHCS produced strong academic outcomes for its students with Math and English Language Arts results that exceeded district and state averages. For the 2017-18 school year, RHCS ranked 3rd out of the 27 state charter schools in Georgia on the state accountability system and exceeded 87% of all public schools in Georgia in student academic growth. RHCS has significant demand for its program, receiving three applications per seat on average. The school serves a population of ~99% minority students and ~64% economically disadvantaged students. In its second year of operations during the 2018-19 school year, RHCS had reached capacity in its temporary leased incubation space and sought a permanent facility solution in which to continue the process of slow growth (adding a single grade per year) to ultimately serve enrollment of 505 students in K through 5th grade. Civic, through FIF, provided a $5.0mm construction loan that closed in Q2 of 2019. The FIF Loan enabled RHCS to seize the opportunity to secure permanent space despite the school's limited operating history by underwriting RHCS' strong team, reputation, and academic performance.

SELECTION CRITERIA 3: CAPACITY

(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;

Civic interacts with charter schools through its two primary lines of impact: as a facilities developer and as a real estate lender. Through each of these services to school, Civic is exposed to a different perspective on the facilities challenges that charter ecosystem continues to face and the potential impact of programs like credit enhancement.

Development: Civic has served as the turnkey developer on 19 projects with a total cost in excess of $350 million in New York, New Jersey, and Rhode Island. As the long-term owner of the buildings, each of which was leased on to one or more charter schools, Civic was responsible for securing capital for all projects. Civic leveraged CEP grant funds ($11 million in total, and an average of $0.6 million per project) on 13 of these projects.

Lending: Civic's history as a charter school-focused lender dates back to 2010, when Civic first provided a New Markets Tax Credit (NMTC) leveraged loan into a charter school transaction. In total, Civic has received $118 million in NMTC allocations over four separate award rounds, which allowed the organization to expand its footprint beyond the Northeast where it focuses its development portfolio and grow into the lending space. Civic has deployed the $118 million in awards to support twelve projects in seven states and the District of Columbia (New York, Michigan, Louisiana, California, Massachusetts, Indiana and Georgia).

Civic expanded its lending scope by launching a new charter school investment fund (Facilities Investment Fund, or FIF) which brought $100 million of new capital to the sector specifically to support growth and replication. Of the total commitment, Civic has committed $47 million in charter school loans and has an active pipeline that exceeds the remaining $53 million available by over 7x. Civic's ability to build deep connections in a variety of markets, and track record of financial innovation, helped to secure this work and has paved the way for the strong pipeline of school interest.

(2) The applicant's financial stability.

Civic has included its fiscal 2018 audit as Appendix 6h, its fiscal 2017 audit within Appendix 6i as part of the its 2017-18 USED CEP Performance Report and a credit report as Appendix 6j. All financial documents provided indicate the fiscal soundness of Civic as an organization.

Civic has maintained a very consistent financial position over time, with total net assets at the end of fiscal year 2018 totaling $40.5 million. This represents an increase of $9.6 million (compound annual growth rate of 3.6% per year) from fiscal year end 2014, which closed with $30.9 million of total net assets.

(3) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management.

Civic's role as non-profit developer and lender makes it a particularly strong capital partner in the charter sector. Civic's detailed, on-the-ground understanding of real estate development, strengthens its lending practice which in turn supports its development work. In its 17 years of operations Civic has not experienced a default.

Civic's long-term interest in the facility offsets concerns that a single school may fail and not be able to meet the debt service requirements of the loan. While Civic does not share the same risk perception about charter schools as commercial lenders, it has a strong interest in ensuring that the schools that it chooses to work with will become pillars of their community over the long term. Civic has established a comprehensive underwriting structure that serves both to identify potential risks to the long-term viability of individual schools and manage those risks to the satisfaction of capital providers.

Operator Underwriting: Civic has built strong in-house practices for comprehensively underwriting school partners across all of its service areas. Civic assesses schools based on the market landscape where they operate; their governance structure and capacity; enrollment and demand characteristics; academic performance outcomes; financial health and sustainability; and proposed construction project. While each area of underwriting has specific and distinct inputs, Civic's long history working with charter schools provides the appropriate perspective for understanding how risks in one area may affect success in other areas over the long-term. The credit manual for FIF is attached as Appendix 6e to this submission for reference.

Close Monitoring of Assets: Civic has two asset managers to ensure that all assets under management receive the appropriate level of detailed diligence during the monitoring phase. For Civic's development work, its construction team is actively engaged in the construction phase of the project. On the lending side, Civic works closely with third-party construction consultants to monitor project progress not less than monthly and carefully tracks loan disbursements against the original project budget.

Once schools are operational, Civic monitors at standard milestones including the close of the fiscal year, the date that the new year's budget is required to be completed, the date on which state testing results are achieved and the cadence of any communication with the authorizer related to the school's reauthorization. This close monitoring allows Civic to identify potential issues early and take proactive corrective steps.

This risk management strategy has been successful. Civic has never defaulted on any of its financial obligations, nor experienced a payment default from any of its charter school tenants across the entirety of its development portfolio. This track record of supporting successful investments includes NMTC investments and the loans originated and underwritten on behalf of FIF.

(4) The applicant's expertise in education to evaluate the likelihood of success of a charter school.

Beyond managing the financial risks associated with developing facilities projects described above, Civic's ultimate obligation is to the communities that it seeks to serve to ensure that the charter school operators are successful at increasing access to high-quality education.

<u>In-House Expertise:</u> Because Civic focuses solely on charter schools, it has amassed substantial intellectual and human capital that it brings to bear when assessing academic programming and likelihood of success. Civics' team is staffed with a range of individuals with high caliber experience across the full spectrum of charter school needs including lending, real estate development, academic performance measurement, operations and governance. (See Selection

Criteria 4: Quality of Project Personnel and Appendix 5 - Team Member Resumes for additional details and team member resumes).

Civic's leadership team has continued to build on the following diverse areas of professional expertise during their time at Civic:

- Shannon Kete, Civic's Chief Operating Officer was previously the Chief Operating Officer at Success Academies Charter Schools in New York, one of the highest performing charter school networks in the country.
- Ryan Alexander, SVP Of Corporate Development co-founded a successful educational technology platform to support literacy in schools and served as the Chief Financial Officer of Success Academies Charter Schools in New York.
- Sajan Philip, VP of Finance and Lending oversaw lending for the Central U.S. region at the Low Income Investment Fund, one of the largest CDFI lenders in the charter school sector.
- Angie Guerrero, Strategy Manager, led Fitch Ratings' charter school rating portfolio, helping national investors to understand individual credit and sector-wide risks of charter schools within the broader US Public Finance landscape.
- Five staff members have experience as founding board members of charter schools.

<u>A National Network of Local Experts:</u> Civic's singular focus on charter schools and long history in the sector has helped to forge deep relationships and connections that support the internal capacity to assess a school's likelihood of success. Civic is committed to deploying CEP in markets where strong local knowledge and connections to local stakeholders, including

quarterback organizations, are in place. Access to local experts in all of the locations where Civic is proposing to leverage CEP is a key input to understanding each market and allows Civic to specialize its underwriting process to reflect local market realities.

Because of Civic's work deploying NMTC allocations and FIF loans, Civic has worked closely with authorizing bodies in eight of the proposed geographies (California; Georgia; Indiana; Louisiana; Massachusetts; Michigan; Texas and Washington, DC) to understand each individual accountability model and process. Civic has also leveraged philanthropic connections to incorporate local funders' opinions on schools under consideration for development services or FIF investment that would be leveraged to support underwriting transactions in the remaining six states. Finally, Civic is active in the broader charter ecosystem and can bring in additional resources to advise on particular issues that may be unique to a certain 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.

Civic has included its Conflict of Interest and Whistleblower Policies as Appendices 6k and 6l, respectively. These policies prohibit any Civic employees or board member from seeking or accepting any type of compensation in exchange for involvement or inclusion in any development project or receipt of any financial product administered by Civic, including credit enhancement grants. Each year, staff and board members review the policies and each board member completes and signs a questionnaire regarding potential conflicts.

(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.

Not applicable – Civic is not applying as part of a consortium.

(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.

Not applicable – Civic is a 501(c)3 non-profit organization.

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

Civic has included its most recent annual Performance Report (2018) as Appendix 6i.

Civic has fully deployed the $8.3 million grant awarded in the 2007-08 cycle and has begun the process of recycling the funds into new projects as original deployments are successfully returned. Civic had $1.1 million in undeployed (recycled) enhancement as of the close of the 2017-18 reporting period, which will be committed to one of several projects currently in Civic's development pipeline by the end of 2019. See Appendix 6a for further detail on Civic's active development pipeline. Civic is proud of its track record of 100% repayment on credit enhancement funds deployed (no defaults or delinquencies). This record which speaks to Civic's ability to successfully underwrite projects with the potential to create high quality new seats in a financially responsible manner and to manage the risks associated with utilizing grant funds directly for the benefit of primarily early stage schools that would otherwise have limited access to long-term facilities space.

Civic has been exceptionally judicious in its application of CEP funds, deploying enhancement only to the extent required to meet the goals of a particular project. Civic's performance versus the initial performance plan for the 2008 grant award reflects this conservative approach, which will be carried forward with the requested additional grant funding. In addition, the initial award was primarily targeted for deployment in New York. Alternative sources of funding for charter school projects in NYC existed through the Charter Facilities Matching Program, which sunset in 2012. Through this over $250 million subsidy, facilities were developed affordably for school users without the need for enhancement. During this period of time, Civic developed eight projects, but was not required to enhance any part of the capital stack, allowing the funds to be retained to support projects where need for additional support is the greatest. Though this has caused Civic to be slow to achieve the initially presented deployment expectations, it is representative of Civic's overall conservative approach to projects and commitment to directing scarce resources like credit enhancement to areas where they are needed the most critically and can have the greatest positive impact.

SELECTION CRITERIA 4: QUALITY OF PROJECT PERSONNEL

(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.

The Civic staff's combination of non-profit, education, real estate and lending expertise in the charter sector goes unparalleled. Civic's team possesses a comprehensive set of skills including underwriting, finance and lending, construction, and K-12 education (See full Organization Chart, Appendix 6m).

David Umansky, CEO and Co-founder of Civic, and Tony Maruca, Finance Manager, will be project leads for the program. David Umansky has led Civic since 2002 and is deeply involved in all investments. David will oversee the program at a high-level. Tony Maruca manages the financing for Civic's development projects and stewards the organization's successful New Markets Tax Credit (NMTC) program. In this capacity, Tony has supported the launch of twelve schools. Tony will utilize this experience in underwriting school transactions and securing project financing to serve as the day-to-day manager of the program.

In addition to program management by David Umansky and Tony Maruca, a broader team of nine additional staff members from Civic will originate, underwrite, develop and asset manage all Credit Enhancement Program (CEP) projects. The full list of involved staff, roles within the CEP projects, and qualifications follow below.

Furthermore, Civic's Board of Directors has deep experience in real estate, lending, and education (See Board of Directors biographies in Appendix 6n). The Civic Board of Directors previews each transaction and then holds final approval over any investment. The robust underwriting by Civic staff is sharpened and confirmed through Board level review and approval. A similar concept applies to the Facilities Investment Fund (FIF), which maintains an active loan committee and board of directors comprised of experts from education, finance, real estate and philanthropic sectors (See Loan Committee and Board of Directors biographies in Appendix 6o) who review and approve each investment presented to confirm compliance with the lending policies and programmatic goals.

Finally, Civic works with intermediaries and support organizations when selecting partner schools and investments. Through close, long standing relationships with philanthropic funders in the sector, strong authorizers, state education departments, local quarterbacks, and other intermediary organizations, Civic identifies the top growing and emerging high-performing public charter schools in need of private facilities. See Appendix 6d - Support Letters for a sample of such organizations.

Project Team

David Umansky, Co-Founder and Chief Executive Officer

Qualifications and CEP Role: David Umansky is Co-Founder and CEO of Civic and proposed Director of CEP team. As CEO, David is responsible for the overall strategy and direction of Civic. Under David's leadership, Civic has expanded to support the growth of 40 schools through both real estate development and lending services. David has overseen the investment of all Civic CEP funding to date and has deep experience with the program. Over the last 17 years, Civic has been recognized with the Social Entrepreneurship Award from the Manhattan Institute, the Social Capitalist award from Fast Company/Monitor Group, and is the recipient of design awards for excellence in school facilities. David serves as a member of the Low-Income Investment Fund's Eastern Region Advisory Committee and a member of the Goldman Sachs New Market Tax Credit Community Development Entity. David holds an MBA in Finance and International Business from New York University, and a B.A. with Honors from the University of California at Santa Barbara. Additionally, David is a Leadership New York Coro and Pahara Fellow.

Tony Maruca, Real Estate Finance Manager

Qualifications and CEP Role: Tony Maruca is the proposed Project Manager for the CEP grant. He has been managing Civic's 2008 CEP grant since 2015. In this capacity, his primary responsibilities are the following: (1) structure construction financing for Civic's development projects, leveraging the grant funds to lower the cost of capital, access flexible terms, and enable innovation, such as Civic's mixed-use and incubator projects, (2) shepherd the proposed grant deployments through internal approvals and approval by the Civic Board of Directors, and (3) coordinate with Civic's accounting and asset management staff on grant compliance and school reporting, as well as the Annual Progress Report and quarterly monitoring calls. In addition to stewarding the 2008 CEP grant, Tony is also responsible for financing and refinancing real estate assets, managing the deployment of Civic’s $118M million allocation over five years of New Markets Tax Credits, and underwriting project and tenant financials. Previously, Tony worked as a fellow at Build with Purpose. Tony has a Master of City and Regional Planning degree from the Edward J. Bloustein School of Planning and Public Policy at Rutgers, the State University of New Jersey (2014) and a BA in Economics and Studio Art from Williams College (2008).

Sajan Philip, Vice President of Finance and Lending

Qualifications and CEP Role: Sajan Philip, CFA, joined Civic in 2018 as Vice President of Finance and Lending. Sajan is responsible school and transaction underwriting and financing oversight for

CEP projects. He also oversees the Facilities Investment Fund, New Markets Tax Credit program and Civic borrowing for development projects. Prior to joining Civic, Sajan was Market Director of the Mid-Atlantic and Central Regions at the Low Income Investment Fund (LIIF). In this role, he was responsible for lending production in DC and LIIF's expansion in the Southeast. In seven years, Sajan lent over $300 million in capital for community development projects. Before joining LIIF, he was a small business loan underwriter at Seedco Financial in New York City. Sajan graduated from the University of Delaware in 2006 with a Bachelors in Economics and Political Science. He received his Chartered Financial Analyst designation in 2013.

Shannon Kete, Chief Operating Officer (COO)

Qualifications and CEP Role: As COO, Shannon manages the operations of Civic and its various product lines. For the CEP team, Shannon will oversee the compliance and reporting team, comprised of Frank Buccola and Audeliz Pollock. Shannon has led scaling and growth strategies for several high growth, highly ambitious education enterprises. Shannon served as COO of Amplify's curriculum business. Previously Shannon was COO at Success Academies, one of the highest performing and highest growth charter networks in the country, and PLTW, a national leader in project-based STEM curriculum. She began her career as an M&A analyst at Goldman Sachs, and later served as the Chief of Staff for the US PWM business. Most recently she served as Chief Delivery Officer for CLS Bank. Shannon brings her passion for excellent public education to her Board service as a Board member with Zeta Charter Schools. Shannon holds an MBA from Harvard Business School and was a Morehead-Cain Scholar at UNC Chapel-Hill.

Frank Buccola, Vice President of Accounting

Qualifications and CEP Role: Frank Buccola serves as Civics' Vice President of Accounting and serves as the Reporting and Compliance Manager for the CEP grant. Frank has worked with Civic since 2002 and has deep institutional knowledge of the organization. In his tenure with the organization, Frank has managed the compliance and reporting requirements for the organization's 2008 CEP grant and has over 10 years of experience managing CEP investments. Frank is deeply familiar with the program and will steward disbursement and reporting for any future grant dollars. With over twenty years of accounting experience, Frank manages all aspects of accounting at Civic including general ledgers, budgets, audits, tax returns, financial statement presentation, and grantor financial reporting. Frank also assists with loan negotiating, compliance, and construction budgeting. Frank graduated with a BS in Accounting from Georgetown University.

Ryan Alexander, Senior Vice President of Corporate Development

Qualifications and CEP Role: Ryan Alexander will manage business development and loan origination for the CEP grant. Through this work to date, Ryan has partnered with hundreds of schools across the country to understand their facilities needs. Ryan has extensive experience in the education sector, through support organizations and high-performing CMO, Success Academies. As Co-Founder and President of LightSail Education, he grew the company to serve 500 schools representing more than 300,000 students. Previously, as the CFO of Success Academies, Ryan helped manage the rapid expansion of NYC's highest-performing and fastest-growing charter organization from an annual budget of $40 million to more than $140 million in three years. Previously, Ryan was Managing Partner at Argyle Holdings and was also President and COO of the enterprise messaging company Omnipod Inc. and worked for several financial services firms. Ryan graduated with honors from Lafayette College with a BA in economics and psychology.

Angela Guerrero, Strategy Manager

Qualifications and CEP Role: Angela Guerrero will serve as School and Transaction Underwriting Expert for the CEP grant. Her experience with charter school finance began as a Consultant at Public Financial Management, Inc., where she worked as a financial advisor to a wide range of education and non-profit institutions on capital planning decisions and the best means of accessing capital, either through a debt issuance in the capital markets or a loan from commercial bank lenders. She continued to grow her knowledge of the facilities finance landscape for charter schools as a Director at Fitch Ratings, where she participated actively in the management of the company’s charter school ratings portfolio. Angie also brings her passion and expertise to Valence College Prep, as the Chairperson of the Board of Directors. Angie holds an MBA in Finance and Leadership & Change Management from the NYU Stern School of Business and an AB in Government from Harvard College.

Tim Lee, Finance Associate

Qualifications and CEP Role: Tim will focus on school and transaction underwriting for the FIF program. He is responsible for underwriting financial and academic performance for prospective investments and also supports the organization's strategy and outreach initiatives. Previously, Tim was an Investment Banking Analyst with Kimberlite covering real estate operators, REITs, and private real estate investors. He also spent 3 years as an underwriter with MidCap Financial, a direct lender providing debt financing to middle market companies. Tim holds a Bachelor’s degree in Finance & Government from William & Mary.

Kandace Simmons, Director of Real Estate Development

Qualifications and CEP Role: Kandace Simmons joined Civic in 2019 and brings over 20 years of experience in real estate, architecture, and project management. Kandace will lead site selection and negotiation for CEP projects. She formerly was a senior director with MCCGUSA Ltd., a full service advisory firm that provides management consulting, project & construction management, and commercial real estate services. Previously, she served as president of Simmons Design Group, completing projects in excess of one million square feet of space. Kandace served for eight years as Mayor Bloomberg's representative to the NYC Public Design Commission, which approves the design of all buildings, parks, and installations of permanent artwork on City property. A licensed real estate broker, she is a graduate of Yale College and studied architecture at the Pratt Institute.

Audeliz Pollock, Asset Manager

Qualifications and CEP Role: Audeliz has over 5 years of Asset Management experience. Audeliz will serve as the Real Estate Property Manager with the CEP grant and key responsibilities are to ensure Civic and partnering schools remain in compliance with the terms of their lease and/or loan agreements. Audeliz also serves on the Board of Directors of the newly chartered Kwenda Collegiate Girls Charter School. Prior to joining Civic, Audeliz worked 3 years at Riverside Capital, a tax credit syndicator for Low-Income Housing Tax Credit (LIHTC) properties. In his previous role, Audeliz monitored all properties, guaranteeing each project was completed on-time and on-budget. He also ensured each property complied with regulations of the LIHTC program. Audeliz holds an MBA in Finance from NYU Stern School of Business and a BS in Engineering from Rutgers University.

Lenny Dymond, Vice President of Construction

Qualifications and CEP Role: Lenny Dymond joined Civic in 2010 and currently serves as the organization's Vice President of Construction. Lenny will serve as the head of Project Construction for the CEP grant. In this role, Lenny is responsible for construction project management and monitors the feasibility, cost, and construction of the organization's development projects. Lenny brings over 20 years of construction project management experience to the real estate team. Lenny graduated with a BA in Communications from the University of Nevada.

ADDITIONAL CONTEXT ON COMPETITIVE PREFERENCE PRIORITIES:

In addition to the above explanation on Civic's history and commitment to supporting the top performing schools in under-resourced and low-income neighborhoods where traditional district schools are failing, see below for additional detail on statistics within selected geographies.

1. 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 ESSA.

Development: According to the New York State Department of Education (NYSDE) data, 31 of 32 Community School Districts in New York City were designated as Focus Districts by the NYSDE, effective January 10, 2018. Additionally, 175 schools were designated focus schools and 59 schools were designated priority schools under the ESEA accountability designations. Civic has historically, and will continue, to focus its NYC development work in areas designated as focus and priority districts.

2. Target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments

Development: The NYC public school system continues to fail economically disadvantaged students of color. Of Black and Latino students attending traditional New York State (NYS) public schools in grades 3-8 in 2018, 66% of Black students and 64% of Latino did not meet NYS proficiency standards for English language arts and 75% of Black students and 70% of Latino students did not meet NYS proficiency standards in math. In stark contrast, NYC's public charter schools work for economically disadvantaged students of color. In 2017-18, NYC public charter schools enrolled more Black and Latino students—90.1% vs. 63.9%—and more students from economically disadvantaged families—78.3% vs. 74.3%—than traditional public schools. In 2018, Latino students were proficient in ELA and math at higher percentages than their Latino peers in traditional public schools in NYC, but also at higher percentages than their white peers across all schools in New York state. On average, public charter school students' proficiency rates are higher and underscored by higher growth rates compared to peers in traditional public schools. For instance, according to a CREDO study, in reading and math between 2012 and 2017 the growth advantages for public charter school students compared to their peers in traditional public schools in NYC was equivalent to 23 more days of learning in reading and 63 days in math. Civic's portfolio schools are closing the achievement gap for NYC students. In NYC, 92% of Civic's partner schools performed at or above comparative districts in Math and English Language Arts (ELA) and 70% of portfolio schools performed over 20 percentage points higher in Math than comparative districts in the 2017-18 state exams. Civic will continue to partner with the top performing charter schools in these comparatively low-performing school districts.

3. Target services to communities with large proportions of students from low-income families

Development: In New York City, 74% of students are economically disadvantaged and exhibit wide variations of academic outcomes across the income, race, and ethnicity spectrums. To date, Civic's development work is concentrated in neighborhoods where the need is greatest, such as the South Bronx, Harlem and Brooklyn, and access to a high-performing school is not a guarantee. In fact, four out of five students attending a Civic school live in deep poverty. Civic has expertise in selecting school partners who produce life-changing outcomes for these student populations. Students attending NYC high schools constructed by Civic graduate at a 96% rate and just last year had a 94% college acceptance rate. These successes far surpass typical outcomes for low-income, majority-minority populations.

Lending: Unfortunately, the geographies in Civic's FIF lending program (which includes New York) face many similar challenges to those described throughout the Competitive Preference Priorities. FIF's investment guidelines seek to prioritize funding to schools that serve student populations where >50% of students are eligible for free and reduced lunch, where academic performance is stronger than that of the traditional public schools that students would attend in the absence of the public charter school and that have strong community support and demand for services. See Appendix 6p for a demographic breakdown of all proposed deployment geographies outlining academic and socio-economic factors.