

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

Status: Submitted

Last Updated: 08/26/2019 07:24 AM

Technical Review Coversheet

Applicant: Civic Builders, Inc. (S354A190007)

Reader #1: *****

	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	33
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	92
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	4
Competitive Preference Priority 2		
1. CPP2	5	4
Competitive Preference Priority 3		
1. CPP3	5	4
Sub Total	15	12
Total	115	104

Technical Review Form

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

Reader #1: *****

Applicant: Civic Builders, Inc. (S354A190007)

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 plans lending up to 13 states and the District Columbia based on their track record in New York. They plan to leverage Credit Enhancement Program (CEP) funds to finance upfront costs for new school development and to attract financing to charter school development projects at better rates and terms than those schools could otherwise receive in market.

The applicant'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. (page e22) This information is included in their strategic model.

(2) The applicant has presented measurable objectives and goals. Leverage \$ [REDACTED] of private capital at a rate of 17:1 within the first five years of the grant. Two, deliver 18 facilities serving 8,250 students for schools that demonstrate high need as measured by percentage of economically disadvantaged student populations. Three, increase the types of schools able to access affordable financing. This application has milestones with the goals and objectives to be accomplished over a five year period of time which coincide with the competitive preference priorities outlined.

(3) The proposed project implementation plan and activities are likely to achieve measurable objectives. The requested grant amount and project costs were based on assumptions associated with Civic's development work and two

decades of developing the program.

Projected revenues include earned interest income on outstanding loans and interest earnings on reserve account funds. Expenses charged to the grant are the Letter of Credit fees charged by bank lenders. Other expenses pertaining to the grant are absorbed in Civic's operating budget. (page e35)

(4) The applicant's goal is to replicate the FIF program by capitalizing a second fund and use CEP funds to provide enhancement in the form of fund-level reserves to FIF's commercial lenders. The strength of the research and preparation is reflected in both the qualitative and quantitative data.

(5) The applicant manages an active pipeline with demand for over \$ [REDACTED] [REDACTED] loans. (page e79-e80) Letters of support from State Education Departments and state charter schools associations who advised to the school quality, design, and partner selections. Civic school selection criterion is detailed in their attached credit manual. (page e30)

(6) The applicant received [REDACTED] in 2008 attracting [REDACTED] total capital for a leverage ratio of 22:1. They are proposing that the additional [REDACTED] allocation be leveraged 17:1 against \$ [REDACTED] in additional capital.

FIF is able to offer schools interest rates that are approximately 150 basis points below (bps) below CDFI interest rates. Senior loans of up to [REDACTED] with a LTV ratio not to exceed 90% are available. There are opportunities for flexible LTV ratio for individual loans capped around [REDACTED] (page e23)

(7) The applicant intends to target CEP funds to qualified schools where there is a pro-charter environment consistent with their predetermined criterion. They utilize the National Alliance for Public Charter Schools (NAPSC) 2018 state rankings in the selection process. (page e33) This plan insures that they will work in states with strong charter laws. These financings are in states with strong charter school laws. (page e27)

(8) Civic has a 20-year track record of solving diverse facilities-related needs of public charter communities. In 2002 they launched an innovative non-profit development model for charter schools serving 40 schools over 17 years. This included deploying [REDACTED] CEP application received in 2008. (page e25) A customized approach will be used to maximize school benefit. Civic's modeling reflects a cap of 9% of enhancement or subordinated debt. They will deploy an amount not to exceed 7% of the senior lending capital.

Weaknesses:

It appears that the second fund is being designed to allow Civic to attract the most cost effective and flexible commercial bank loans. This is a clear indication that no research or outside planning as to the ratio of specific types have been determined. The design and target market will be determined after funds have been secured.

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 engaged with a variety of stakeholders to maintain a school-centric approach to assisting charter schools with facilities and financing needs. The application includes letters of support from charter school associations, authorizers and charter schools. The initial market study and research development work was funded by Walton Family Foundation (WFF) and the Bill & Melinda Gates Foundation in addition to interviews with 14 schools, foundations, lenders and other key stakeholders across the sector. (page e38)

The application notes that Civic typically charges up to 5% developer fees versus the 10% charged by other non-profits. Cost of equity is 5% which is far below the rate charged by for-profit developers which can be up to 20%. (page e39) FIF origination fee is 1%.

(2) The applicant has worked with industry partners in the design of this project and will utilize over 17 years of experience. They have been successful with no loan losses and will use rigorous underwriting processes in school partner selection to help mitigate risks associated with early-stage schools.

(4) The applicant solicited feedback from local quarterback organizations to help curate school choice opportunities in specific geographic areas (typically cities or counties). This included national charter school stakeholders such as the National Association of Charter School Authorizers (NASCA), Charter School Growth Fund and page e38) non-profit developers to ensure that the products terms would create the desired impact for schools

Weaknesses:

(3) The application doesn't clearly address the technical assistance plan. The applicant mentions that Civic provides a significant amount of technical assistance to schools seeking facilities solutions at no costs. The new financings will be out of state and the structure along with protocols should be detailed in the application.

Preference for more detail as it pertains to the school selection. The applicant is successful in New York however how is the process managed in the 13 targeted states.

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:

(1) The applicant's history as a school-focused lender dates back to 2010. They have deployed [REDACTED] in awards to support twelve projects in seven states. Their lending scope has expanded by the launching of the Facilities Investment Fund (FIF) which brought [REDACTED] of new capital to support growth and replication. (page e42) They have committed [REDACTED] in charter school loans with an active pipeline exceeding the remaining \$53 million. (page e43)

(2) Civic's 2018 and 2017 audits document the fiscal soundness of the organization. At the end of 2018 total assets were \$40.5 million representing an increase of \$9.6 million from fiscal year end 2014 which closed at [REDACTED]. (page e43)

The applicant has two asset managers managing due diligence and monitoring. Third-party construction consultants monitor project process not less than monthly tracking loan disbursements against original budget. (page e44)

(3) The risk management strategy is effective since Civic has never experienced defaults on any of its financial obligations nor experienced payment default from any charter school in their portfolio. (page e45)

(4) The applicant focuses solely on charter schools and has amassed substantial intellectual and human capital which is evident when assessing academic programming and success planning. This experience crosses the full spectrum of charter school needs including lending, real estate development, academic performance measurement, operations and governance. The staff represents the diverse business needs.

Civic has worked closely with the authorizing bodies in eight of the proposed geographic targeted areas to discuss accountability model and process. They have also leveraged philanthropic connections to incorporate local funders' perspectives and opinions. Their broader charter ecosystem can bring in additional resources with this model. (page e47)

(5) The applicant included Conflict of Interest and Whistleblower Policies. The staff and board review the policies annual and completes and signs a questionnaire regarding potential conflicts. (page e47)

(8) Civic has deployed the \$ [REDACTED] grant awarded in 2007-08 and is in the process of recycling the funds into new projects. Their performance is conservative compared to the original plan which will be carried forward if this grant is awarded. Alternate sources of funding for charter school projects were successfully administered through the Charter Facilities Matching Program financing eight projects. (page e49)

Weaknesses:

Further clarification is needed to understand how the applicant will launch this new product in the target areas outside of New York. Everything presented is pertinent to their current market.

Reader's Score: 33

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 staff has a diverse comprehensive combination of skills in the charter sector that includes underwriting, finance and lending. The CEO and Co-Founder of Civic and the Finance Manager will be the project leads. Their experience in project development and steward the organization's successful New Market Tax Credit (NMTC) program demonstrates a proven track record. The Finance Manager has additional experience supporting the launch of twelve schools. This depth is important for leading a broader team of nine additional staff members. (page e50)

(2) In addition to program management a broader team of nine additional staff manage all Credit Enhancement (CEP) projects they currently underwrite, develop and asset manage all Credit Enhancement Program (CEP) projects. This demonstrates depth and experience exists within the organization to manage the new project. The Board of Directors has deep experience in real estate lending and education.

Weaknesses:

No weakness noted.

Reader's Score: 15

Priority Questions

Competitive Preference Priority - Competitive Preference Priority 1

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

(1) The extent to which the applicant would target services to geographic areas in which a

large proportion or number of public schools have been identified for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);

Strengths:

Priority 1: The New York State Department of Education (NYSDE) data notes 31 of 32 Community School Districts in New York City were designated as Focus Districts effectively. 175 schools and 59 schools were designated priority schools under the ESEA accountability designations.

Similar academic, outcomes, socioeconomic status and facilities constraints are documented (page e386) for the target market. This includes areas in Arkansas, California, Colorado, Georgia, India, Louisiana, Massachusetts, Missouri, New Jersey, New York, Oklahoma, Tennessee, Texas, and Washington, D.C.

Weaknesses:

The applicant has experience in New York however the application is unclear as to how they will target charter schools in other markets for this competitive preference priority. No pipeline is mentioned.

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:

Priority 2: NYC public system continues to fail economically disadvantaged students of color. Specifically, gaps in proficiency for black and Latino students. Similar academic, outcomes, socioeconomic status and facilities constraints are documented (page e386) for the target market. This includes areas in Arkansas, California, Colorado, Georgia, India, Louisiana, Massachusetts, Missouri, New Jersey, New York, Oklahoma, Tennessee, Texas, and Washington, D.C.

Weaknesses:

The applicant has experience in New York however the application is unclear as to how they will target charter schools in other markets for this competitive preference priority. No pipeline is mentioned.

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:

Priority 3: In New York City 74% of economically disadvantaged and exhibit wide variations of academic outcomes across the income, race, and ethnicity spectrums. Their work has been primarily in South Bronx, Harlem, and Brooklyn.

However, there is a reference to Appendix 6 (page e386) where they intend to prioritize schools to schools that serve student populations where greater than 50% of students are eligible for free and reduced lunch, where academic performance is stronger than that of the traditional public schools.

Weaknesses:

The applicant has experience in New York however the application is unclear as to how they will target charter schools in other markets for this competitive preference priority. No pipeline is mentioned.

Reader's Score: 4

Status: Submitted
Last Updated: 08/26/2019 07:24 AM

Status: Submitted

Last Updated: 08/26/2019 10:49 AM

Technical Review Coversheet

Applicant: Civic Builders, Inc. (S354A190007)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	33
Quality of Project Services		
1. Project Services	15	14
Capacity		
1. Capacity	35	34
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	96
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	4
Competitive Preference Priority 2		
1. CPP2	5	5
Competitive Preference Priority 3		
1. CPP3	5	5
Sub Total	15	14
Total	115	110

Technical Review Form

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

Reader #2: *****

Applicant: Civic Builders, Inc. (S354A190007)

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 assisted schools. In NYC the credit enhancement would reduce the cost of financing the development of school facilities and the benefit of those reductions would be passed on to assisted schools in the form of lower leasing costs for the facilities that the applicant builds for them. Outside of NYC the applicant would use the credit enhancement as part of a lending program to help the early stage schools that would be assisted to obtain lower interest rates and higher loan-to-value ratios for the financing they need to develop their facilities.
2. The applicant's project goals, objectives and timelines are measurable and achievable and fit the activities that it proposes to undertake with the requested award and the activities would further the purposes of the program.
3. The applicant's activities seem like they could be replicated and the application's plan to document its approach is a good way of increasing the chances of successful replication.
4. The applicant has a sound screening and underwriting process that it originally created for its facility development work and that has enabled it to pick out early stage schools that have proven over time to perform very well educationally (more than 92% performed better the comparative districts in math and English, and 70% perform more than 20 percentage points higher in math, e29-30)
5. The applicant determines the amount of assistance that a school should get by comparing financing options and selecting the ones that produce the best terms for the assisted schools while also efficiently utilizing the credit enhancement (e31).

6. The applicant would obtain strong leverage – including private and philanthropic commitments.
7. The applicant’s activities would serve some states with highly rated charter laws according to NAPCS rankings, some with moderate ratings and others where the state law is currently low-ranked, but the applicant has determined that various factors (“ongoing advocacy, pending legislation, partner organizations and local support structures” e34) create a promising environment for charters or the particular schools that the applicant might assist.
8. The applicant tries to achieve efficient use of the CE by comparing different financing options and selecting those that produce the most benefit in relation to the amount of the credit enhancement used, and the amount of overall request seems reasonable and a good fit with its objectives, design, and potential significance of the two projects that it proposes to support

Weaknesses:

1. The applicant does not provide a timeline.
2. The applicant describes the educational success of the schools that it has developed facilities for, but they do not provide information about how the schools have performed as leaseholders and how the applicant, as the facility owner, has dealt with any problems that have been encountered.
3. While the applicant has significant experience as a NMTC leverage lender and in allocating NMTC, they just started the new loan fund in 2018, it requires a different kind of underwriting than their NMTC work and they do not yet have a track record in the space, though they have many assets that make it likely that they will succeed.

Reader's Score: 33

Selection Criteria - Quality of Project Services

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

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

Strengths:

1. The applicant demonstrates that its planned activities, both development and lending, effectively address the needs of assisted charter schools. The key benefits of their development activity include allowing assisted schools to obtain a custom-made facility at affordable rates and without having to manage the complexities of developing and financing the property. The benefits of the lending program include access to capital that assisted schools might otherwise be unable to obtain and improved interest rates and LTVs.
2. By, in effect, acting as a turnkey developer, the applicant provides comprehensive assistance in facility development and financing through their facility development program.
3. The applicant consulted charters schools, charter support organizations and chartering agencies in developing the plan for the requested award, and support letters provide evidence that charters, and charter support organizations and chartering agencies support the effort.

4. The applicant provides a good level of detail about the financial terms of their relationships with assisted schools (e39) and the fees and lending terms (such as a 1% charge for the CE) appear to be reasonable and appropriate in relation to the benefits assisted schools receive.

Weaknesses:

The applicant provides comprehensive assistance through their development program, but they do not provide enough information about the nature and extent of their services when they are lending to, rather than developing for, the assisted school.

Reader's Score: 14

Selection Criteria - Capacity

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

Strengths:

- As a result of its previous work in the development and financing of charter facilities the applicant has extensive experience in carrying out the type of facility development activities that it proposes.
- The applicant appears to be financially stable and has more [REDACTED] in assets and nearly 40% of that total is net assets.
- The applicant has extensive experience in managing development risks, some experience in managing lending risk and solid systems for risk management in loan underwriting, portfolio management and financial management, including a detailed credit manual.
- The applicant has conflict of interest and whistleblower protection policies that apply to board and staff and that require annual certifications.
- The applicant has extensive experience with charter schools and in facility development and facility underwriting

and demonstrated skill at evaluating the likelihood of success of a charter school, especially in terms of educational performance (e29-30).

- Based on the applicant's report and the annual report included in the appendices the applicant has performed satisfactorily with previous CE awards and is on the second cycling of its previous award with 100% repayment of CE funds that have been committed to projects.

Weaknesses:

- The applicant also has experience with lending, but it is limited to the first year of operation of the FIF fund and previous NMTC allocation and leverage lending activity. The NMTC activity is quite different from the type of lending they are doing with FIF.
- With the development of the FIF loan pool in 2018 the applicant is taking on a straight lending function for the first time – they have good assets to succeed, but do not have a proven track record and could face some challenges as they adapt to the relatively new activity.

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's staff has played a significant role in the applicant's track record of facility development and financing, and, as a result of that experience, and previous professional experience and training, are well qualified to carry out the proposed activities.
- The applicant staffing plan for the project seems reasonable as they will rely on existing, in-place, staff that has carried out similar previous projects, and most have been with the organization for a number of years.

Weaknesses:

No weaknesses 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. The applicant clearly intends to give preference in the selection process to schools that address each of the three priorities (e31).
2. The applicant demonstrates that because of the character of the NYC school district all the schools that benefit from the applicant's NYC facility development work will meet Priority 1.

Weaknesses:

1. The applicant does not provide enough information about the character of the schools assisted with its lending to determine how likely they are to meet each of the priorities.
2. The applicant does not make a definite commitment with respect to the extent to which schools assisted by its lending activity will meet Priority 1.

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:

1. The applicant clearly intends to give preference in the selection process to schools that address each of the three priorities (e31).
2. The applicant demonstrates that because of the character of the NYC school district all the schools that benefit from the applicant's NYC facility development work meet Priority 2.
3. The applicant's goals indicate that they mean for all of the assisted schools to meet priorities 2 and 3.

Weaknesses:

No weaknesses noted.

Reader's Score: 5

Competitive Preference Priority - Competitive Preference Priority 3

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

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

Strengths:

1. The applicant clearly intends to give preference in the selection process to schools that address each of the three priorities (e31).
2. The applicant demonstrates that because of the character of the NYC school district all the schools that benefit from the applicant's NYC facility development work will meet Priority 3.
3. The applicant's goals indicate that they mean for all of the assisted schools to meet priorities 2 and 3.

Weaknesses:

No weaknesses noted.

Reader's Score: 5

Status: Submitted
Last Updated: 08/26/2019 10:49 AM

Status: Submitted

Last Updated: 08/23/2019 04:45 PM

Technical Review Coversheet

Applicant: Civic Builders, Inc. (S354A190007)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	33
Quality of Project Services		
1. Project Services	15	12
Capacity		
1. Capacity	35	32
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	92
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	3
Competitive Preference Priority 2		
1. CPP2	5	3
Competitive Preference Priority 3		
1. CPP3	5	5
Sub Total	15	11
Total	115	103

Technical Review Form

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

Reader #3: *****

Applicant: Civic Builders, Inc. (S354A190007)

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 continue the work of its pilot Facilities Investment Fund, which was previously capitalized by the Walton Family Foundation, and cites its ability to offer schools interest rates that are approximately 150 basis points below CDFI interest rates and offer senior loans up to [REDACTED] to 90% LTV (page e23).

The applicant provides clear goals and objectives that are appropriate and measurable, in that the applicant aligns its goals and objectives with that of the Credit Enhancement program. Specifically, the applicant codifies the level of leverage it intends to secure, over what time period, along with the number of charter schools and facilities it intends to support. Additionally, the applicant aligns itself with the program goal of helping newer schools with the goal of at least half of the schools not yet undergoing their first charter reauthorization.

The applicant offers its 20 year track record as a lender and developer, managing various types of financing vehicles, including Credit Enhancement and New Market Tax Credits, that demonstrate its likelihood of being successful in achieving its goals and objectives.

The applicant provides evidence of significant and critical partnerships to help it achieve its goals and objectives, as well as efforts to curry additional private capital. The applicant proposes to leverage the requested allocation 17:1. (page e32)

The applicant proposes to produce an industry playbook to share insights with other developers and lenders as a way of replicating its proposed program and successes.

The applicant provided its underwriting criteria via the FIF Credit Manual with a highlighting of the core criteria outlined on page e30. Applicant describes a framework for sizing allocations on page e31 with some articulation of guardrails via targets, e.g., "Civic will target deploying an amount not to exceed 7% of the senior lending capital."

The applicant offers its framework and criteria for evaluating offering services in states that possess strong charter laws, and it is clear in the application that the applicant considers the rankings from organizations like NAPCS in where they roll out support.

The requested grant amount and project costs are reasonable because of the number of schools the applicant intends to support and the level of leverage ratio it intends to secure.

Weaknesses:

No implementation plan or timeline was provided.

While the applicant says that it does evaluate the quality of a state's charter laws when considering expanding service offerings, and it's implied that states with strong charter laws would rise to the top, the applicant doesn't clearly demonstrate that it actively targets states with strong charter laws.

Reader's Score: 33

Selection Criteria - Quality of Project Services

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

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

Strengths:

The applicant has described the FIF program as one in which the terms, both rate and LTV, have been rightsized for the borrowing needs of charter schools, specifically in New York.

The applicant provides evidence of support from charter schools, charter support organizations, and chartering agencies via the 9 letters submitted including from the two New York charter school authorizers and the Louisiana Department of Education.

The applicant provides case-study evidence of its ability to identify charter schools with both a large demonstrated need and the likelihood of success with two example schools. Specifically, the case study examples provide a snapshot of

criteria used to evaluate success potential and financial need and the applied criteria in action.

Weaknesses:

Much of the application focuses on use of credit enhancement in New York, which appears to be responsive to the needs of charter schools in New York. The applicant is not entirely clear how these services or its FIF program will look in other states and other charter school needs and how applicable and replicable it is, specifically because the applicant discusses how much more significant the facility funding is for charter schools in New York, as well as the big difference in facility transaction size.

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 provides a summary of extensive experience and expertise as both a developer and lender. The experience and expertise in both developer and lender function directly align to the expertise and experience needed for an applicant to be successful implementing Credit Enhancement.

The applicant provides evidence of financial stability with strong financial fundamentals, as evidenced by net assets of \$ [REDACTED] at the end of FY 2018, or about a [REDACTED] growth since 2014.

The applicant provided an extensive set of underwriting and credit monitoring policies, procedures, checklists, and criteria as outlined in the Unitranche Capital Fund Credit Manual, starting on page e83. The applicant also reported that it has not experienced a payment default from any of its charter school tenants in its development portfolio, suggesting that its underwriting, portfolio monitoring, and financial management systems are being effective at protecting against

unwarranted risk.

Applicant presents a diverse team with significant education and education-sector experience and expertise, as evidenced by their professional bios and resumes. The breadth of the experience and the volume of charter schools they have worked with, along with the number of high-quality groups associated with those charter schools, lends credence to their ability to evaluate a charter school's likelihood of success.

The applicant's past Credit Enhancement grant has been mostly deployed and has not experienced any defaults or delinquencies.

Weaknesses:

The applicant omits whether it has experienced a payment default from its lending portfolio, which is worded differently from when it says it has not experienced a payment default from any of its charter school tenants in its development portfolio.

The applicant provides its policies that help identify and prohibit conflicts of interest among staff and board members. However, the applicant fails to identify how it prevents conflicts of interest between its development and lending practices, where the incentives may be counter-aligned to each functional practice.

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 provided evidence of project personnel and a project management team that is highly experienced with key lending and credit enhancement functions, as evidenced by the provided resumes and professional biographies. It is this experience and the expertise cultivated through their past work that can be leveraged for this project. The individuals associated with the proposed project have previously worked on Credit Enhancement grants as well.

Weaknesses:

None 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 identifies that 31 of 32 community school districts in New York City are designated as Focus Districts by NYSDE, and that it will continue to focus its NYC development work in focus and priority designated districts.

Weaknesses:

The applicant doesn't substantiate how it will target its work in focus districts, and it doesn't discuss how this translates in its targeting strategy outside of New York.

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 identifies that the NYC public school system has a majority of Black and Latino students failing to meet proficiency in language arts and math, where its current efforts are focused. Furthermore, the applicant offers up evidence of assisting charter schools in the NYC public school system that are performing at or above their comparative districts.

Weaknesses:

Applicant references several states where it intends to offer the credit enhancement financing, but it doesn't describe how this preference priority translates into a target in other states.

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 identifies that 74% of students in New York City are economically disadvantaged, and that it has concentrated its efforts in New York City neighborhoods where the need is greatest. The FIF investment guidelines articulate a priority for funding schools with greater than 50% of students being eligible for free and reduced lunch.

Weaknesses:

None noted.

Reader's Score: 5

Status: Submitted
Last Updated: 08/23/2019 04:45 PM