

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

Status: Submitted

Last Updated: 07/09/2018 03:22 PM

Technical Review Coversheet

Applicant: Nonprofit Finance Fund (U354A180001)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	30
Quality of Project Services		
1. Project Services	15	15
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	95
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	7
Sub Total	15	7
Total	115	102

Technical Review Form

Panel #1 - Credit Enhancement - 1: 84.354A

Reader #1: *****

Applicant: Nonprofit Finance Fund (U354A180001)

Questions

Selection Criteria - Quality of Project Design and Significance

- 1. Quality of project design and significance. 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, as amended by the ESSA; 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 narrative indicates that charter schools will be able to access financing for a variety of products at better rates and terms than absent the grant. The charts provided on page e21 demonstrate the rates and terms without Credit Enhancement and with Credit Enhancement. It is easily identified how the offerings the program will be able to provide are better as the same offerings without credit enhancement. (pg. e20 – e21)

Goals and objectives are well defined, outlining the activities that will take place relative to the grant program. Each goal contains several objectives that are easily measured and are aligned to the goals of this specific project. A Logic Model is provided that states short, medium and long term goals. These goals are measurable and align with the overarching goals of the Credit Enhancement Program – focusing efforts on low-income communities and providing choices where public schools are not performing well (pg. e322 and e22 – e24)

A well-defined implementation plan is presented including the types of loan products the applicant intends to offer along with specific examples of how these products have historically been implemented. This plan describes the options that will be available to charter schools and how these options meet both the requirements of the grant, but more importantly, the facility needs of the charter schools and their communities. (pg. e24 – e32)

The applicant has designed this proposal around a strategy that has been used successfully since 2015. The applicant did extensive research at the time of the 2015 grant development and because the process has had positive results, the applicant will continue using this program with fidelity within their existing pipeline of charter schools. (pg. e32 – e35)

A comprehensive set of selection criteria is provided that includes the educational and operational capacity of a charter school to implement a program of this magnitude. Additionally, the grantee will select charter schools that meet the priority requirements of the Credit Enhancement program to include low-income areas and places where the district schools are underperforming. Through the interviews with and assessment of potential charter schools, the applicant will determine what, if any, type of financing is appropriate for each situation. (pg. e34 – e37)

According to the narrative, the applicant will provide an 11:1 leverage of funds within the first five years of the program. The established consortium is prepared to use \$76 million of their own funds along with additional funding from banks and other financial institutions. Funds will be deployed to charter schools, including new charters that have not been through a renewal process.

The states targeted for assistance within this program have strong charter laws with five states ranking in the top 10 as determined by the Center for Educational Reform and the National Association of Public Charter Schools. (pg. e40)

The requested grant amount is reasonable based on the project goals and objectives relative to the number of states and charter schools identified for assistance. With a reach out to states with relatively new charter laws, (WA and NM), the applicant has the potential to significantly impact those markets. (pg. e41 – e41)

Weaknesses:

The applicant does not provide a specific timeline for the grant activities nor do the goals include any suggested time frames for completion. The application would have been stronger if the specific activities needed to make this program viable were discussed within the narrative, along with a specific timeframe for completion of each activity. (pg. e22 – e24)

The applicant states in several places that the pipeline is 27 charter schools. The list provided only has 24 charter schools, some of which will be awarded financing under a previous CE grant. This statement weakens the current proposal. (pg. e58, e40, e7 and e19)

Reader's Score: 30

Selection Criteria - Quality of Project Services

1. Quality of project services. In determining the quality of 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:

Through constant research of the facility needs for charter schools, especially early-start charters, the applicant has tailored services to meet the needs identified by stakeholders. Research done in late 2015 indicated that early-stage charter schools have a significant need for financing options. Because these schools do not meet bank requirements for

a loan and the charter schools have not yet reached a renewal, they have a difficult job of finding a lender with terms they can support within the organization. By reaching out to states they have not previously served, they are purposely seeking to fill the facility needs gap of a broader base of charter schools. (pg. e41 – e42)

Letters of support are provided in the Appendix indicating good working relationships throughout the financing process. The letters indicate that many charter support agencies and charter schools have been involved with the design of the project. Outside of the letters from charter schools applauding the effort of the Nonprofit Finance Fund in helping secure financing for high risk newer charter schools, letters are provided from four support organizations identifying and supporting the need for facility financing as described in the application.

The terms as outlined in the application are beneficial to charter schools and will provide opportunities for financing outside of conventional loans. This financing has flexible terms and rates below market, along with fees that are manageable within a charter school's limited budget, especially during the early years of growth when enrollment is not stable. Technical assistance includes analysis of a charter schools' readiness to take on large amounts of debt and if the analysis is not positive, the applicant will provide suggestions for improvement that will assist the charter schools in their effort to secure financing at a later date. Assistance is provided in locating professionals that can assist the charter school with academic analysis and real estate development when needed. (pg. e43 – e44, e23, e36)

Because this project includes early start charter schools, it demonstrates the willingness to work with the charter schools that have the greatest need. Additionally, the due diligence completed by the applicant evidences the understanding of factors that identify a successful charter school that has the capacity to support financing as described. (pg. e44 – e45)

Weaknesses:

None noted.

Reader's Score: 15

Selection Criteria - Capacity

- 1. Capacity. 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:

Both members of the applicant team are seasoned CDFI's with over 30 years of experience. Additionally, each entity has experience financing charter schools with a collective number of 90 charter schools assisted. Through a Credit Enhancement grant awarded in 2015 to BCLF, the partners have deployed \$4.9 million in CE to date. (pg. e45)

The members each have a strong balance sheet that exhibits their financial strength and stability. This stability is assured through diversity in revenue streams. (pg. e48 – e49)

Each organization has well established policies to mitigate risk, as evidenced by the information provided in Appendix G (Policies and Procedures, which include loan application guidelines, credit policies, due diligence and loan structuring guidelines. Additionally, the application required of charter schools applying for financing will ensure only strong applicants are awarded as it includes information on both educational aspects of the charter school and financial management aspects including audited financial statements, budgets and financial projections. (pg. e49 – e53)

One of the partners (NFF) employs 13 individuals on their staff with prior education experience. Outside experts such as authorizers, CMOs and educational consultants, provide assistance to the partners in identifying charter schools that are a good risk for the grant program. (pg. e53 – e54)

Each partner has a well-defined Conflict of Interest policy within their bylaws that defines when a conflict exists and that it must be disclosed at the start of a transaction. Also provided and outlined in the MOU for this particular project is a Conflict of Interest statement specific for the program. (pg. e263, e669, e264 – e269)

An MOU is provided that clearly defines primary roles along with responsible parties. Additionally, the entities have committed funding (\$83 million) for the success of the project. Each entity will assist with the identification of new funding sources and specific services to applicants. (pg. e264-e269)

One partner (BCLF) was awarded a CE grant in 2015. According to the narrative, \$4.9 million has been deployed to 8 charter schools with the balance of funding to be utilized by 12/18. (pg. e54 – e55)

Weaknesses:

None noted.

Reader's Score: 35

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

Project team members have significant experience within the area of financing charter schools and other community fields. Each entity is supported by a dynamic Board of Directors with many combined years of finance experience along with real estate, community development and specifically, charter school finance experiences. (pg. e55)

The organizational chart outlines the staffing plan for the project. This is well defined with each entity sharing assistance for certain aspects of the program. There is a project manager identified as well as an outside consultant to conduct educational assessments. The outside consultant has 25 years of experiences in education and working with charter

Weaknesses:

None noted.

Reader's Score: 15

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

1. In accordance with 34 CFR 75.105(b)(2)(ii), this priority is from 34 CFR 225.12. For FY 2018 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 improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB);
- (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; and
- (3) The extent to which the applicant would target services to communities with large proportions of students from low-income families.

Note:

With regard to paragraph (1), consistent with the ESSA, if applicants will be operating in States that have identified schools for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the ESSA, “improvement, corrective action, or restructuring” refers to schools identified for “comprehensive support and improvement or targeted support and improvement” under the ESEA, as amended by the ESSA. If applicants will be operating in States that are delaying, as permitted by the Department, the identification of schools for comprehensive support and improvement or targeted support and improvement until school year 2018-2019, the Department will award competitive preference points under paragraph (1) to allow those applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility. After school year 2018-2019, the Department will require a grantee that is operating in States that are delaying identification of schools, and that receives points under this priority, to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

The applicant indicates through the goals and objectives that charter schools will be targeted for inclusion in geographic areas in which a large proportion of public school have been identified for correction action, improvement or restructuring through ESEA or ESSA. Pg. e22 – e24

As stated in the goals and objectives the applicant will target charter schools that are located in areas where a large proportion of student perform below the proficiency level on state assessments. Pg. e22 – e24

A goal of this project is to target charter schools located in communities that have a large percentage of low-income families. Pg. e22 – e24

Weaknesses:

The applicant only responded by repeating the criteria. The applicant should have included specific details of how these three priorities will be implemented within the project. There is no indication as to how this priority will be implemented.

Reader's Score: **7**

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Technical Review Coversheet

Applicant: Nonprofit Finance Fund (U354A180001)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	31
Quality of Project Services		
1. Project Services	15	15
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	96
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	7
Sub Total	15	7
Total	115	103

Technical Review Form

Panel #1 - Credit Enhancement - 1: 84.354A

Reader #2: *****

Applicant: Nonprofit Finance Fund (U354A180001)

Questions

Selection Criteria - Quality of Project Design and Significance

- 1. Quality of project design and significance. 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, as amended by the ESSA; 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 plans to use the grant to provide financing to charter schools at better rates and terms than are available in the marketplace two ways: (a) by offering interest rates at 22% below market and (b) by offering loan products that take into consideration barriers to capital faced by charter schools including low valued collateral, lack of equity, and limited enrollment in startup schools which undervalues revenue potential. (e19-20)
- The applicant's project goals and objectives are specific and measurable and listed in the application. (e22-e23) They include focusing on assisting schools in need of help as stated in Title 1 of the ESEA, charging affordable product interest rates and fees, offering flexible loan terms, reduced equity contributions, and a wider distribution of capital to geographic areas that are considered underserved like Tennessee. They also plan to offer customized technical assistance in real estate development and project management to applicant school customers.
- Project implementation activities offer a mechanism through which the project goals and objectives will be accomplished. The applicant plans to use the grant funds to set up a credit enhancement loan pool to address potential losses in market rate charter school loans and higher risk charter school loans originated through the consortium. Specific underwriting guidelines and flexible loan policies are offered that will facilitate the accomplishment of project goals and objectives. These would include customer specific flexible loan products such as predevelopment loans, construction/term loans and leasehold improvement loans. Acquisition, loan guaranty and bond guaranty loan products will also be offered. (e26-27)
- The technical assistance strategy offered by the consortium in this application builds on research and outreach conducted and implemented using prior award funding. The outreach efforts identify underserved charter school markets

with high quality charter school operators, strong program support, capital constrained markets, markets with low real estate values, strong local charter school funding support and the presence of underperforming school districts in low income communities. They follow up on this research with targeted meetings and relationship development efforts and close the deal by funding schools in these specific markets. This applicant offers the opportunity to replicate this successful strategy. (e31-32)

- The consortium applicants have been successfully involved in charter school financing and have a cumulative write off rate of 0.5%. (P.e-24) They plan to utilize the same selection standards and processes that they have utilized in their previous charter school financing efforts. The specific selection criteria is included with the application at Appendix D at page (e-60)
- The applicant plans to leverage the grant funds on an 11:1 basis attracting a total of \$129 million in private and non- federal capital for 27 charter schools across the target region. They plan to accomplish this goal during the first 5 years of the program later recycling funds for deployment to new borrowers. Letters of support are included with the application. (e-24)
- The applicant is working in underserved charter school markets like Tennessee. They intend to build upon this expansion by using the Program to meet the financing needs of charter schools unmet by conventional sources in other under-resourced, high-need communities as well as their core markets (Northeast, Mid-Atlantic, California and Tennessee).
- The proposed financing offered by the consortium appears to be reasonable in that they propose to utilize the \$12 million in grant funding to leverage \$129 million for 27 charter schools over the next five years. This finding of reasonableness is also supported by the fact that they plan to cover any administrative costs in excess of the 2.5% allowed by the program and not charge any school a loan commitment fee.

Weaknesses:

Timelines for the project are missing.

Reader's Score: 31

Selection Criteria - Quality of Project Services

1. Quality of project services. In determining the quality of 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:

- In the program design phase of the project, the applicant identified key challenges faced by charter schools seeking to successfully access capital for facility projects: these include insufficient collateral to meet lender LTV requirements, insufficient equity, limited appetite for leasehold improvement loans due to weak collateral, high interest rates and terms for loan products and a general unwillingness to lend to schools that have not experienced a charter renewal cycle. The loan products and programs offered by this applicant directly address each of these challenges. Input was received from multiple stakeholders in the charter school facility financing market resulting in the program design

offered in this application.

- Charter schools and other stakeholders were directly involved in project design and support for the project as indicated in Appendix B (e-58) and attached letters of support.
- The applicant offers a cost-effective fee structure with administrative fees capped at 2.5% with any excess covered by the Consortium. They also propose a 1% origination fee that can be capitalized into the loan amount so the school does not repay out of pocket. (e-33)
- The applicant is focused on meeting the facility financing needs of early stage charter schools that are also located in areas that are considered economically challenged. The loan products are designed and offered to address these needs. Additionally, the consortium offers evidence of its' comprehensive understanding of the facility financing needs of charter schools through its collective write off rate of 0.5%.

Weaknesses:

There are no weaknesses for this criterion.

Reader's Score: 15

Selection Criteria - Capacity

- 1. Capacity. 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 applied as a consortium consisting of two premier community development finance agencies, NFF and BCLF. Each has significant experience financing challenging community investment projects and possesses the capacity to administer their program. Underwriting and credit policies are included with the application (e-67) and demonstrate the flexibility necessary to successfully address the facilities financing needs of this market.
- Financial stability is evident through a robust examination of the audited financials and credit ratings submitted with the application at e347. NFF and BCLF are both AERIS rated through Opportunity Finance Corporation, the trade association for CDFIs. They offer AA-and AA+ ratings which demonstrate program and financial strength and well as programs and processes necessary to track outcome and evaluation data consistently. Audited financials are prepared

under GAAP and include no adverse audit findings or material statements that negatively affect organizational performance.

- Significant data is included on the applicant's underwriting, portfolio monitoring and financial management capacity. The applicants evaluate loan default risk similarly, using a tiered loan risk rating system to monitor individual transaction and portfolio management risk. This enables them to consistently monitor loan default risk and make quarterly adjustments as required. Organizational credit policies and guidelines are in writing and effective as indicated by a historic write off ratio of 0.70% of total cumulative lending and a 0% 90 day plus portfolio delinquency rating. Loan loss reserves are 6.51% and 8.75% respectively.
- Financial management policies are in writing. Monthly dashboard financial reports are produced and reviewed on a quarterly basis at the Board of Directors level. Additionally, both organizations are in full compliance with A- 133 audit rules and offer no significant deficiencies or material weaknesses. (e52-53)
- The applicant has a wide and deep background in education which includes significant Staff and Board of Director level experience in teaching and educational administration. (e-53)
- The applicant has a full conflict of interest policy (e-322, Attachment 6) which outlines how these issues are addressed.
- The Consortium Agreement is included (e-264) in MOU format and identifies roles and responsibilities under this agreement.
- This evaluative criterion is not applicable.

Weaknesses:

There are no weaknesses in this criterion.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel. 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 quality of project personnel at the project manager level is outstanding. Both Kathy Olsen at NFF and Michelle Volpe at BCLF have significant education and project administration experience.
- The project staffing plan identifies staff level responsibilities and the potential use of outside consultant support through FRS to fill any gaps in staff expertise.

Weaknesses:

There are no weaknesses in this criterion.

Reader's Score: 15

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

1. In accordance with 34 CFR 75.105(b)(2)(ii), this priority is from 34 CFR 225.12. For FY 2018 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 improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB);
- (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; and
- (3) The extent to which the applicant would target services to communities with large proportions of students from low-income families.

Note:

With regard to paragraph (1), consistent with the ESSA, if applicants will be operating in States that have identified schools for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the ESSA, “improvement, corrective action, or restructuring” refers to schools identified for “comprehensive support and improvement or targeted support and improvement” under the ESEA, as amended by the ESSA. If applicants will be operating in States that are delaying, as permitted by the Department, the identification of schools for comprehensive support and improvement or targeted support and improvement until school year 2018-2019, the Department will award competitive preference points under paragraph (1) to allow those applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility. After school year 2018-2019, the Department will require a grantee that is operating in States that are delaying identification of schools, and that receives points under this priority, to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

The applicant restated the evaluative criteria in the body of the application (e-22) but provided little information around each specific criterion and how they planned to address it in the project.

Weaknesses:

The applicant did not address this criterion in the course of the application. Then applicant restates the criteria (e-22) addressing the first criterion in the evaluative criterion.

Reader's Score: 7

Status: Submitted
Last Updated: 07/09/2018 10:57 AM

Status: Submitted

Last Updated: 06/30/2018 02:25 AM

Technical Review Coversheet

Applicant: Nonprofit Finance Fund (U354A180001)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Project Design	35	28
Quality of Project Services		
1. Project Services	15	15
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	93
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. Competitive Preference	15	8
Sub Total	15	8
Total	115	101

Technical Review Form

Panel #1 - Credit Enhancement - 1: 84.354A

Reader #3: *****

Applicant: Nonprofit Finance Fund (U354A180001)

Questions

Selection Criteria - Quality of Project Design and Significance

1. Quality of project design and significance. 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, as amended by the ESSA; 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 members of this consortium offer a convincing design for the proposed credit enhancement tool, which will likely result in significant impacts for the charter schools they finance. Specifically, the applicant proposes rates and terms that are notably better than charter school currently receive in the financing markets. Specifically, the applicant intends to offer to finance on a fixed-rate basis as low as 5.75% without any fees and with LTVs in excess of 100%. (page e21) Also, the applicant will significantly leverage the grant, with an average target ratio of 11:1. (page e37) Furthermore, the applicant provided a project implementation plan and activities that is sound and likely to achieve the measurable goals and objectives listed. (page e22)

Additionally, the applicant provided a detailed description of the selection criteria for charter schools targeted to receive assistance (page e61), and for determining the type and amount of assistance to be given (page e67 and e205). Also, since the applicant intends to use 100% of the requested grant amount to establish a loan loss pool (page e24), its project costs are reasonable in relation to the objectives, design, and potential impacts achieved.

Weaknesses:

The applicant does not demonstrate that its financing will better serve charter schools in States with strong charter laws. (page e22) Specifically, the rates cited by the applicant were consistent with the financing offered by other charter school lenders applying for this credit enhancement program.

The applicant bases its assertion of the replicability of the results on assumptions established in its prior 2015 award; however, it fails to acknowledge whether and how those conditions changed in the markets it currently serves or would be

different in the new markets targeted for expansion. (page e32)

While the project goals and objectives are clearly specified, measurable, and appropriate, the applicant did not provide a timeline that adequately illustrates its implementation of the credit enhancement strategy. Specifically, the Project Implementation Plan & Activities section (page e24) does not identify the activities necessary to identify potential borrowers and build a loan pipeline beyond the initial prospects identified in the application.

Reader's Score: 28

Selection Criteria - Quality of Project Services

1. Quality of project services. In determining the quality of 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 services that the applicant will provide through the Credit Enhancement project would strongly meet the needs of the charter schools in the markets it intends to serve.

One of the consortium partners (NFF) has a strong reputation for the quality of technical assistance it provides to nonprofit organizations including charter schools. Its proposed strategy for delivering project services is cost-effective and will assist charter schools in accessing facilities financing.

Weaknesses:

There are no notable weaknesses in this section.

Reader's Score: 15

Selection Criteria - Capacity

1. Capacity. 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:

Both organizations in the consortium are strongly capitalized, financially stable, and well-managed financial intermediaries. These institutions have significant experience in carrying out the activities they propose to undertake, including the use of credit enhancements to facilitate financing for charter schools. Their experience includes the successful implementation of previous charter school facilities grants. (e47) Moreover, these institutions have the necessary organizational infrastructure, such as written policies and procedures (Appendix G – “Nonprofit Finance Fund Underwriting and Credit Policies” and “Boston Community Loan Fund Loan Policy and Procedures Guidelines”) and trained and qualified staffs, to protect against unwarranted risk in their loan underwriting, portfolio monitoring, and financial management. Furthermore, the applicant adequately demonstrated its expertise in evaluating the likelihood of success of a charter school through its prior lending activities.

Weaknesses:

No notable weaknesses in this area.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel. 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 has a highly qualified team, who possess the requisite training and experience to successfully implement the proposed activities. Also, it presented a staffing plan that appropriately allocates personnel resources to the key functions required for the proposed activities.

Weaknesses:

No notable weaknesses in this area.

Reader's Score: 15

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

1. In accordance with 34 CFR 75.105(b)(2)(ii), this priority is from 34 CFR 225.12. For FY 2018 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 improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (NCLB);
- (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; and
- (3) The extent to which the applicant would target services to communities with large proportions of students from low-income families.

Note:

With regard to paragraph (1), consistent with the ESSA, if applicants will be operating in States that have identified schools for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the ESSA, “improvement, corrective action, or restructuring” refers to schools identified for “comprehensive support and improvement or targeted support and improvement” under the ESEA, as amended by the ESSA. If applicants will be operating in States that are delaying, as permitted by the Department, the identification of schools for comprehensive support and improvement or targeted support and improvement until school year 2018-2019, the Department will award competitive preference points under paragraph (1) to allow those applicants to target services to geographic areas in which a large proportion of public schools are, at the time of submission of an application under this competition: (i) elementary and secondary schools identified as in need of improvement, corrective action, or restructuring under the ESEA, as amended by NCLB; or (ii) elementary and secondary schools identified as a priority or focus school by the State prior to August 1, 2016 under ESEA flexibility. After school year 2018-2019, the Department will require a grantee that is operating in States that are delaying identification of schools, and that receives points under this priority, to amend its approved application, as needed, to describe how it will target services to geographic areas in which a large proportion of public schools are elementary and secondary schools identified for comprehensive or targeted support and improvement under the ESEA, as amended by the ESSA.

Strengths:

In each target market, the applicant listed the number of schools designated as needing improvement, corrective action, or restructuring. The applicant cited the MATH and ELA state assessments as sources to support an assertion that its services will target geographic areas where a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring. (page e258)

Weaknesses:

The evidence provided by the applicant did not adequately demonstrate a strong correlation between its proposed strategy and the goal of targeting services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring. The applicant did not include a specific section in the application for the responses to the Competitive Preference Priority section. As a result, there wasn't a concise or cogent explanation of its approach for establishing the goal of targeting services to those geographic areas that meet the program's criteria.

Reader's Score: 8

Status: Submitted
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