

Status: Submitted

Last Updated: 08/26/2019 07:18 AM

Technical Review Coversheet

Applicant: Raza Development Fund, Inc. (S354A190003)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	30
Quality of Project Services		
1. Project Services	15	10
Capacity		
1. Capacity	35	33
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	88
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	3
Competitive Preference Priority 2		
1. CPP2	5	1
Competitive Preference Priority 3		
1. CPP3	5	3
Sub Total	15	7
Total	115	95

Technical Review Form

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

Reader #1: *****

Applicant: Raza Development Fund, Inc. (S354A190003)

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:

- (2) The applicant has identified a pipeline of high-quality charter school financing opportunities representing eight school sites. RDF intends to deploy \$57,550,000 during the next five years across 13 schools to support the charter school sector. (page e33) The project goals, objectives and timeline are specified.
- (3) The applicant is the only CDFI in Washington State since the state enacted legislation with \$18.7 million in commitments. The Credit Enhancement Program (CEP) would enable them to invest in high-need areas of Washington State generating 5,800 charter school student seats over 5 years. (page e17) Their expertise in this program supports the project implementation plan and activities.
- (4) The CEP \$6,750,000 grant request will be used to enhance RDF's charter school pipeline in Washington State where eight school sites have been identified as high-quality opportunities. (page e33) Four of these schools will be in Opportunity Zone designated areas. This represents an aggregate financial need and is projected to be \$32,550,000 providing over 3,300 quality charter seats. They have demonstrated the capability of replicating this model.
- (5) The selection of schools in the pipeline will be all Title I eligible schools.
- (6) Their charter school activities are geographically diverse across several states. However, this request is specific to

Washington. They have demonstrated ability to leverage their funds. The interest earning from the credit enhanced portion of the loans is reinvested into schools in the form of value-added, technical assistance.

(7) Washington State is currently ranked #3 out of #44 by the National Alliance for Public Charter Schools confirming that the state has strong charter school laws. (page e33)

(8) The applicant was assigned a rating of AA- in 2018 by Standard and Poor's. Given their size they are established and flexible with lending to charter schools. The application gives several different examples based on their area of need. They implement both a qualitative and quantitative credit assessments when working with charter schools. (page e46)

Through previous financings the applicant has documented a need to support this type of financing. The request is reasonable given the market demand.

Weaknesses:

(1) Pricing and terms are not clearly addressed, and information is vague. Application doesn't provide examples as to how the improved rates and terms benefit the actual charter schools.

(5) The application doesn't have a defined plan as to how the actual school selection will take place.

Reader's Score: 30

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 will implement both a qualitative and quantitative credit assessments when working with charter schools. (page e46) New schools and current applicants in the program undergo extensive evaluation.

(2) Collaborations with the Washington Charter School Association ("WA Charters") and Washington Charter School Development ("WCSD") led to RDF identifying a pipeline of quality charter school financing opportunities. These are eight school sites with financing needs of approximately \$32,550,000 with four schools located in Opportunity Zone designated areas. (page e25)

(3) The new regional office in Seattle has strengthened their working relationships among the Washington State charter

school key organizations and local officials. This includes an ongoing relationship which include \$6,000,000 and \$1,050,000 grant agreements with the Bill and Melinda Gates Foundation with the later establishing a Safety Net Fund. Additionally, they will collaborate with the Charter School Growth Fund which is another philanthropic partner. (page e30) The strategic partnerships and financials demonstrate the effectiveness of their risk management and cost-effective strategies for increasing charter schools' access to financing and reasonable fees and lending terms.

(4) RDF is a member of the Charter School Lenders Coalition ("CSLC") and has a strong presence in the state leading information sessions for CDFIs. They have also been involved with developing other financings programs. (page e29) They have a track record that demonstrates that the services to be provided will be successful.

Weaknesses:

(1) Technical assistance is mentioned but structure is not clear including how these services would meet the needs of charter schools. These funds are targeted for the state of Washington where a new regional office has been located; however, the application doesn't give specific examples of related activities that would address technical assistance in Washington or any other state. The procedures and protocol aren't included in the documentation.

Reader's Score: 10

Selection Criteria - Capacity

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

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

Strengths:

(1) The applicant has successfully been awarded grants from the U.S. Department of Education Credit Enhancement Program: 1) for \$5,000,000, 2) for \$7,950,000, 3) for \$1,600,000, and 4) \$3,250,000. Collectively they have been able to serve 96 charter schools, leveraging \$371,011,179. This data includes three schools in Washington State with awards totaling \$1,835,400, leveraging \$47,366,563 in total project and private capital. (page e33)

(2) The audited financials indicate an organization with strong liquidity and strong borrowing capacity. Their loan portfolio as presented is diverse across geographic regions.

(4) The applicant's expertise in education is demonstrated in a geographic diverse portfolio. Their strategic partnerships and presence in the market ensure the success of charter schools.

(3) The Board of 12 represents investors, lenders, business practitioners, and community development agencies. They provide guidance for loan products and constituency. (page e43) Currently a representative from Bank of America's Community Development division has been appointed to sit on the Loan Committee. This structure helps RDF mitigate risk.

The applicant has invested over \$922 million in over 400 low-income communities in 34 states. This includes an impact investment of \$21.6 million in 5 charter schools in Washington states. They currently have \$211 million in total assets under management. (page e19) This financial data including a cumulative loss of -.52% over five years demonstrates their financial stability.

(5) The applicant has both a Conflict of Interest and Whistle Blower policy to protect its interest. The policies help directors, officers and employees to identify inappropriate situations. Also, it protects the validity of financial transactions and arrangements.

(8) Raza Development Fund (RDF) is a four-time recipient under the United States Department of Education ("USDOE") Credit Enhancement for Charter School Program; in 2002, 2004, 2006 and 2017. This has enabled them to make 150 investments in education projects in 23 states. (page e19) This represents \$300 million in capital. Every charter school RDF has financed is a Title I eligible school. (page e20) They have a proven track record in providing services benefiting low-income and/or minority students.

Weaknesses:

Quantitative data presented is consolidated in the application and it's difficult to understand their performance in Washington. For an example the cumulative loss of -.52% over five years doesn't mention the geographic area. There is no specific detail as to how the funds are targeted across the competitive preference priority as it pertains to the 8 schools identified for financing project.

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 personnel have direct experience in creating, designing, managing and rolling out charter school activities which reflects stability within the organization. (page e35-e42)

(2) The staffing plan notes an office established in 2017 in Seattle, as its' Pacific Northwest ("PNW") Regional Office which will give them a stronger local presence. This includes investment professionals who collaborate with leaders in the Washington State charter school area, technical assistance to school leaders, and project financing request review. (page e44) These responsibilities are handled by a staff of two with a newly created Investment Associate position.

The plan details positions that support the PNW Regional Office with industry expertise from the home office. This details the effectiveness of their structure.

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: Every charter school RDF has financed is a Title I eligible school. (page e20)

The applicant wants to serve local and independent charter schools that serve low-income, Latino and/or other students in areas where educational choices are in dire need of improvement. (page e17)

Weaknesses:

Priority 1 requirements were not covered in sufficient detail and ESEA not mentioned in the proposal.

The pipeline with eight schools identified is referenced (page e216) however the document doesn't specifically address what percentage of funds would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessment in areas where a large proportion or number of public schools have been identified for comprehensive support and improvement or targeted for improvement under ESEA.

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 will target charter schools in geographic areas in which a large proportion of student perform below proficient on State academic assessments. Washington charter schools continue to show significant student growth relative to their local districts in math and reading. (page e23)

Weaknesses:

Priority 2 requirements were not covered in sufficient detail. The pipeline with eight schools sites identified with four of the schools located in Opportunity Zone designated areas is referenced. (page e216) However, the document doesn't specifically address that these funds would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments. The referenced pipeline doesn't mention the competitive preference priorities or amounts being designated.

Reader's Score: 1

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:

Strengths:

Every charter school RDF has financed is a Title I eligible school. (page e20)

The applicant wants to serve local and independent charter schools that serve low-income, Latino and/or other students in areas where educational choices are in dire need of improvement. (page e17)

Weaknesses:

The pipeline with eight schools identified is referenced (page e216) however the document doesn't fully address how these funds would target services to communicate with large proportions of students from low-income families. The application isn't specific about procedures used to identify the targeted schools or the percentage of funds designated in this area.

Reader's Score: 3

Status: Submitted
Last Updated: 08/26/2019 07:18 AM

Status: Submitted

Last Updated: 08/26/2019 10:40 AM

Technical Review Coversheet

Applicant: Raza Development Fund, Inc. (S354A190003)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	30
Quality of Project Services		
1. Project Services	15	11
Capacity		
1. Capacity	35	32
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	88
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	1
Competitive Preference Priority 2		
1. CPP2	5	1
Competitive Preference Priority 3		
1. CPP3	5	2
Sub Total	15	4
Total	115	92

Technical Review Form

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

Reader #2: *****

Applicant: Raza Development Fund, Inc. (S354A190003)

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 benefit assisted schools by providing facility financing which they would otherwise be unable to obtain, and by offering flexible structures (such as financing for leasehold improvements) to meet the varying needs of schools (e21-22).
2. The applicant demonstrates that its planned activities would enable schools to secure facilities that might otherwise be unavailable to them and would further the purposes of the CE.
3. The applicant describes a strong process for selecting charter schools for assistance that reflects their experience in financing charter schools, and as a lender.
4. The applicant indicates that the requested award would allow them to make more than \$57 million in charter school facility loans using philanthropic commitments as well as capital from a variety of sources.
5. All the applicant's activities would be in Washington State and its charter laws are highly rated according to NAPCS's annual report (e33) that is based on the ESEA criteria.
6. The applicant's requested award is reasonable in relation to the objectives, design, and potential significance of the proposed project which would enable the development of 13 school facilities and more than \$57 million in financing.

Weaknesses:

1. The applicant indicates that the proposed program would allow school that would not otherwise be able to obtain financing to get financing, but it does not provide enough detail about the terms and rates that assisted schools would receive to determine whether the rates and terms would also represent a significant benefit to the assisted schools.
2. The applicant does not break out project goals, objectives and timelines.
3. Though the applicant's methodology for selecting charters schools to assist seems strong, it is not clear to what extent that procedure will drive decisions because there will only be a small number of charters coming online in WA during the CE period and the projected scale of activity seems to assume that the applicant will assist all or most of them.
4. In one place the applicant lists "directly provide subordinate debt / equity financing as a credit enhancement to charter schools (e21)" as a potential use of CE funds, but the CE funds cannot be directly deployed.

Reader's Score: 30

Selection Criteria - Quality of Project Services**1. In determining the quality of the project services, the Secretary considers--**

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

Strengths:

- The applicant's plan would address the financing needs of assisted charter schools by using the CE to offer a range of financial products geared to the situation and need of the school being assisted that would otherwise not be available to the school. The applicant's program is tied, through partnerships, to the work of other organization's focused on assisting schools more broadly with facility and other needs.
- The applicant has extensive relationship with WA charter schools, charter-supporting nonprofits and local foundations and several have provided support letters (e191-198).

Weaknesses:

- The applicant does not describe the involvement of the authorizing agency in WA State in the development of the program or its implementation.
- The applicant alludes to providing technical assistance (e21, e25) but does not describe the assistance, and they do not provide enough information about the pricing of loans and services to fully assess the cost effectiveness of their approach.
- The applicant's ability to select charter schools with a likelihood of success or that have particularly great needs seems to be somewhat compromised by the expectation that they will assist most or all of the new charters being established in WA state.

Selection Criteria - Capacity

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

Strengths:

- The applicant has extensive experience carrying out the type of activities that it is proposing both through work financing charter schools (more than \$80mm in loans outstanding at FYE 2018) and providing financing for other purposes (total portfolio outstanding at FYE 2018 \$185 mm) (e19 and 9/30/18 audited financial statements).
- The applicant is a large CDFI that has a strong balance sheet and a strong credit rating.
- The applicant has substantial scale and experience as a lender and strong systems for risk management in loan underwriting, portfolio management and financial management as illustrated by its cumulative loss experience of less than 1% (e19) and its strong S&P credit rating of AA-.
- The applicant has engaged locally-based partners to assist it in reaching and supporting the development of new charter schools in WA including Washington Charter Development, Inc., the Charter School Growth Fund and the Gates Foundation (e28-e30).
- The applicant has conflict of interest requirements and policies that aim to protect its interest and that apply to board, executives and staff (e49).
- The applicant has strong lending expertise and good knowledge of and experience with the education sector.
- Based on the applicant's report and the information included in the appendices the applicant has performed satisfactorily with previous CE awards.

Weaknesses:

- The applicant describes a strong methodology for evaluating the likelihood of a charter schools success, but their projections for activity seem to assume that they will assist all or most of the new WA charters to reach their planned level of activity and that would leave them with little room to decline to work with schools that they do not regard as poised for success.

Reader's Score: 32

Selection Criteria - Quality of Project Personnel

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

- (1) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**
- (2) The staffing plan for the grant project.**

Strengths:

- The applicant's staff has extensive experience in charter lending and community development lending generally and are well qualified by that experience and by previous professional experience and training, and the staffing plan for the project seems reasonable.

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:

- It is likely that some of the schools that the applicant means to assist in WA would meet priorities 1.

Weaknesses:

- Though it is likely that the schools that they mean to assist in Washington state would meet some of the priorities the applicant does not directly address the question, does not say that it would give preference to schools meeting the priorities and does not make any commitment to ensuring that Priority 1 will be met in the schools to be assisted.

Reader's Score: 1

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:

- It is likely that some of the schools that the applicant means to assist in WA would meet priorities 2.

Weaknesses:

- Though it is likely that the schools that they mean to assist in Washington state would meet some of the priorities the applicant does not directly address the question, does not say that it would give preference to schools meeting the priorities and does not make any commitment to ensuring that Priority 2 will be met in the schools to be assisted.

Reader's Score: 1

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 indicates that each school that it has financed is Title 1 eligible which indicates that they target schools that meet Priority 3.

Weaknesses:

- Though it is likely that the schools that they mean to assist in Washington state would meet some of the priorities the applicant does not directly address the question, does not say that it would give preference to schools meeting the priorities and does not make any commitment to ensuring that Priority 3 will be met in the schools to be assisted.

Reader's Score: 2

Status: Submitted

Last Updated: 08/26/2019 10:40 AM

Status: Submitted

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

Technical Review Coversheet

Applicant: Raza Development Fund, Inc. (S354A190003)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of project design and significance		
1. Quality Project Design	35	17
Quality of Project Services		
1. Project Services	15	10
Capacity		
1. Capacity	35	35
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	77
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority 1		
1. CPP1	5	1
Competitive Preference Priority 2		
1. CPP2	5	1
Competitive Preference Priority 3		
1. CPP3	5	2
Sub Total	15	4
Total	115	81

Technical Review Form

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

Reader #3: *****

Applicant: Raza Development Fund, Inc. (S354A190003)

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 a financing solution for a geography that has largely seen limited lending and investment for charter schools. The financing solution would leverage both private and public funding, increasing the number of charter schools being assisted with facilities. Without the applicant proposing the project in Washington, it's highly uncertain there would be accessible financing for charter schools there.

The applicant provides an overview of the school selection process for assistance and evaluating need, as well as mapping out level of assistance, on page e26 across a diverse set of financial and operational criteria that align with industry best practices.

The applicant provides direct evidence of extensive partnerships via its relationship with Washington Charter School Development, Bill and Melinda Gates Foundation, and the Charter School Growth Fund, and it has shown evidence of its ability to secure private sources of capital, which will allow the Credit Enhancement funds to be properly leveraged.

The applicant is proposing to focus its program in Washington, currently ranked #3 of 44 states by the National Alliance for Public Charter Schools (page e33).

Weaknesses:

While the applicant articulates the need for general need for capital, the applicant does not address aspects such as lowering the cost of capital or securing more favorable terms. These are two key areas of intended outcomes by the Credit Enhancement program, as laid out in the quality of project design and significance criteria.

The applicant identifies using the Credit Enhancement, on page e21, to “directly provide subordinate debt/equity financing as a credit enhancement to charter schools.” While the applicant otherwise seems to propose not using the Credit Enhancement Grant in this way throughout the rest of the application, and the applicant is a previous Credit Enhancement recipient, the initial discussion of the proposed use is likely misstated, but at best, it generates unnecessary uncertainty. As a reminder, directly lending the Credit Enhancement funds to a charter school would not be a permitted use.

The only goal discussed within the application is within the abstract on page e17 to make \$57 million of capital investments in 13 charter schools’ facilities, with the grant funds to be leveraged over 12x. The applicant does not articulate any other goals, underlying objectives, or an associated timeline to measure the goals and objectives against. Additionally, the lack of a substantive discussion regarding goals, objectives, and timeline makes it challenging to evaluate the overall reasonability of the project costs, though the leverage ratio is reasonable.

No specific implementation plan is articulated.

The applicant does not provide evidence or advance an argument that there are elements that can be replicated and replicate success. There is no specific discussion regarding replicating results at all.

Reader's Score: 17

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 demonstrates support for the project, as evidenced by 7 letters of support, as well as an active partnership with the Gates Foundation, as evidenced by the attached partnership agreement starting on page e199.

The applicant recognizes the lack of public facility funding available for Washington charter schools and uniquely addresses that by being only one of two CDFIs who has transacted with Washington charter schools, and the proposed project appears to be a doubling down of those efforts to date in Washington.

Weaknesses:

The applicant provides limited evidence how involved both charter schools and chartering agencies have been in the design of the proposed project. While it is clear that the applicant has worked with a number of charter schools in Washington and abroad, it is unclear how that has translated into actual involvement in the design of services to be offered.

The applicant provided limited information regarding the type and level of technical assistance provided to charter schools, and limited insight as to how the services involved cost-effective strategies for increasing access to facilities.

Reader's Score: 10

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 possesses significant experience to date participating in the Credit Enhancement program, with four past awards, the first three exceeding a leverage ratio of 8:1, and the currently active award anticipated to exceed the leverage ratio in place in its agreement.

Only one charge-off across all four Credit Enhancement grants, as noted on page e31.

The applicant has an AA- S&P rating (page e46), with strong financial fundamentals.

The applicant has a conflict of interest policy in place and provided a copy in appendix. The policy includes ways to both identify and prevent conflicts of interest.

The applicant outlined its extensive underwriting guidelines and the risk rating program it implements throughout pages e234 through e275. The depth, detail, and the quality of the documented policies, procedures, and the criteria identified for risk rating its portfolio, support that the applicant has the ability to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management.

The applicant incorporates an education underwriting team for each transaction to perform independent school and classroom observations “to determine the extent to which indicators of instructional quality exist at the school” (page e57). This lends support of applicant’s ability to evaluate the likelihood of success of a charter school.

Weaknesses:

The audit report submitted did not include a section that includes a summary of current year and prior year findings, as well as a report on testing required for federal expenditures. The table of contents on the audit report doesn’t reference those sections, suggesting that the report could be complete, but it raises a significant question because the referenced audit sections are standard audit report elements, and it’s unclear under what circumstances they would be otherwise excluded.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

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

(1) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and

(2) The staffing plan for the grant project.

Strengths:

The applicant outlined a highly experienced and qualified team serving in key leadership and project oversight functions, as well as detailing their level of involvement with the proposed Washington RDF Program. The team has significant experience and involvement with past Credit Enhancement grants, as well as the applicant’s broader development and financing activities outside of Washington that lends support to their ability to be able to implement this project, as evidenced by the leadership resumes and bios.

The staffing plan for the grant project is in place, with the direct team local to the proposed project, and supported by multiple organizational teams. The staffing plan plans to leverage an un-hired position to further support and scale the applicant’s work.

Weaknesses:

None.

Reader's Score: 15

Priority Questions

Competitive Preference Priority - Competitive Preference Priority 1

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

This priority is:

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

(1) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);

Strengths:

None

Weaknesses:

The applicant fails to articulate how it targets services to geographic areas to geographic areas in Washington where there are a large proportion or number of public schools have been identified for comprehensive support and improvement or targeted support and improvement under the ESEA. While it is clear that the applicant understands that charter schools are a way to offer communities public school choice and improved academic outcomes, it is not clear that the applicant is taking steps to target its services in line with this specific criterion.

Reader's Score: 1

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:

None.

Weaknesses:

The applicant fails to identify how it will target services to geographic areas in which a large proportion of students perform below proficient on State Academic Assessments. The applicant does identify that more broadly in Washington, charter schools continue to show significant growth relative to their local districts in math and reading, but the applicant does not demonstrate how those areas chronically underperforming impact a prioritization or focus of its own efforts and which

charter schools it targets.

Reader's Score: 1

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:

None.

Weaknesses:

The applicant conveys a commitment to specialty financing solutions benefiting low-income, minority Latino families and children throughout the United States, but it doesn't speak to how that translates into a direct targeting of services to communities with large proportions of students from low-income families. It does offer up that current schools it invests in have a 54% FRPL breakdown, but it makes no commitments to provide financing solutions to schools with a minimum FRPL %, for example.

Reader's Score: 2

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