

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

Status: Submitted

Last Updated: 09/02/2021 02:20 AM

Technical Review Coversheet

Applicant: BlueHub Loan Fund, Inc. (S354A210007)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Quality of Project Design	35	34
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	99
	Total	99

Technical Review Form

Panel #2 - FY21 Credit Enhancement - 2: 84.354A

Reader #1: *****

Applicant: BlueHub Loan Fund, Inc. (S354A210007)

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 non-profit agency demonstrates their ability to provide low financing. The agency explains the feasibility of providing this service with their explanation to waive collateral and equity requirements. The applicant emphasizes this sound opportunity by providing a comparison of loan terms at the rates that can be secured as well as finance early startup costs. Chart 1 compares the loan terms with credit enhancement versus market loans. (Pages e20-e23)
- (2) SMART goals with measurable objectives and performance targets designate the applicant's plan for the funds. For example, the applicant projects that over the 5-year grant period, the charter school financing will support over 27 charter schools. The applicant provides a logic model to demonstrate the flow of inputs to specific outputs and how these will result in achievement of performance goals and outcomes. The applicant provides a comprehensive approach in the timeline in Attachment 14 as well as details in Charts #2 and #3 to designate specific details for activities to occur. (Pages e24-e26, e35, e63-67)
- (3) The applicant provides a thorough implementation plan that includes roles and responsibilities to ensure the project is delivered on time based on their annual goals. The applicant not only focuses on the award but includes partnerships, pipeline data, and the financial track record, including the available cash to immediately move forward once receiving the grant award. (Page e27, e34-35, e52-55)
- (4) One of the applicant's original goals is provide a model that is replicable as well as cost-effective. This includes the strategy to reinvest interest income funds Their intent is to be able to share the strategies used and to provide financing institutions the capability to support more charter campuses by implementing a similar project. Goal #4 supports the process of tracking strategies and evaluating specific targets and outcomes. The replicable process is also included in the logic model. (Pages e26, e64)
- (5) The applicant shares the process to select individual campuses using selection criteria that helps rank schools using both qualitative and quantitative data. This allows for differentiation including sub-populations, schools in different states, and the variety of school performance measures. The applicant discusses the campus selection process involves determining effective outcomes, which include generating positive academic results for all students, governance

and leadership capacity, ability to successfully manage facility projects, and ability to repay debt. (Pages e29)

(6) The applicant shares their ability to provide additional funding after they use their capital for initial predevelopment and acquisition costs. The applicant documents how they have been able to leverage private capital at a rate much lower than with traditional lenders without the support of Credit Enhancement. For example, the applicant shares that their interest rates are below market by an average of 200 basis points or 2% of comparable funding. It is reasonable based on the agency's past partnerships with different lenders. They will be able to leverage funds from both the private sector and obtain non-federal capital using the same processes that has worked for them in the past. (Page e32)

(7) The applicant shares their intent to select charter schools from specific underserved states who meet the criteria established for their rank in the top half percentages of National Alliance for Public Charter Schools and Center for Education Reform. For example, the National Alliance for Public Charter Schools' scorecard uses multiple criteria including charter authorizers, growth, operations, equity, to determine rankings among states. The applicant shares the success that it has had using this ranking system in prior award periods. 85.7% of the schools financed by the agency are located in states that rank in the top half of these scorecards and 22.9% are in the top 10. National Alliance for Public Charter Schools and Center for Education Reform 2021 charter school laws rankings. (Pages e21, e28, e178)

(8) The applicant has requested the maximum amount allowed in the proposal, so it can meet the needs of as many schools as possible. The narrative explains that only the allowed 2.5% for administrative costs will be utilized and the rest of the funds will be used for the purpose of securing low-cost loans. The applicant also shares that any other administrative costs will be provided through their agency. (Pages e23, e119)

Weaknesses:

(5) The applicant does not share a rubric or specific point value for the different selection criteria that was stated and/or what impacts decision making the most. The applicant does not specify how the determination will be made using specific criteria.

(7) The applicant does not share how the determination will be narrowed to specific choices if the rationale and criteria are the same. It appears that that the applicant will determine states from their own criteria as well as considering the state ranking process from the National Alliance for Public Charter Schools and Center for Education Reform charter school rankings.

Reader's Score: 34

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 executes an outreach process to charter schools to assess their needs and the challenges they have encountered when it comes to obtaining funding for facilities. In addition, the applicant justifies why they are targeting early start-up and early-stage schools, since it is difficult for them to obtain funding due to their enrollment.

(Pages e19-e20)

(2) The use of surveys, interviews, on-site visits, and reviewing qualitative and quantitative data allowed stakeholders the opportunity to give input for the acquisition of the facilities' plan. The applicant included letters in the proposal from those who supported the agency's efforts to address the need for charter schools. (Pages e19)

(3) The applicant uses a system of consultation, guidance, and facilitation to provide technical assistance as needed by the borrowers as well as the applicants to develop charter programs. The applicant has a process in place to help determine the type of technical assistance that is needed. The agency and its partners appear capable of providing technical assistance in multiple areas including when and how to engage in facilities projects, how to ensure successful project completion as well as connect charter schools with consultants to help them in specific finance areas. The applicant shares they have been providing technical assistance for over 20 years and worked with more than 100 charter schools. (Pages e31, e44, e53)

(4) The applicant supports the projected success based on past performance with Credit Enhancement grants, the dollar amount used to leverage additional funding, and the relationships with an array of financial partners as well as different school organizations. The applicant shares that the agency can leverage private capital at a ratio of 18:1. The applicant includes letters of support from previous charter programs they have worked with as well as different agencies and lending organizations who support the applicant's success and ability to use Credit Enhancement funds. (Pages e26, e32, Attachments 18 and 24)

Weaknesses:

None noted

Reader's Score: 15

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.**

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among

factors (1)-(5), (7), and (8)

Strengths:

- (1) The track record from the applicant's recent history with the Credit Enhancement Program, as well as multiple other funding sources, is impressive and indicates convincing future potential and success. The applicant documents their intent to support 27 charter schools over the next five years which will increase their current pipeline of 42 schools. (Page e43)
- (2) The applicant shares financial ratings from the S&P Global Ratings, which also specifies the financial stability of the applicant's partners as well as their own projection based on previous capital investments. The ratings substantiate financial security with all funding avenue. (Pages e46-47, e72-73)
- (3) The applicant is transparent with their processes to protect against any losses and risks. For example, in their charter school portfolio, the applicant states they have never experienced a loan loss. The rigorous checks and balance system incorporated into the applicants' and their partners' ability to underwrite loans and manage portfolios indicate continued success. (Pages e47-e50)
- 4. The applicant's 20 years of working with education provides background and data to support their understanding of the loan process and their ability to help manage facility acquisition projects and, at the same time, achieve student academic growth and target areas of improvement. The targets identified by the applicant demonstrate school improvement in a variety of areas including enrollment, academic success, and student social and emotional concerns. The applicant shares that 96% of the schools of these schools remain in operation and are achieving projected enrollment and results. (Page e51)
- 5. The applicant provides processes and procedures already in place to uphold set standards of conduct in the areas that include conflict of interest as it applies to decision making. The policy provides guidance to the Board and the staff in the decision-making process. For example, the policies provide guidance when it is necessary to disclose information as well as procedures for addressing conflicts of interest. The annual disclosure statements required by all board members and staff will help keep transparency in place. (Page e51)
- (8) Previous performance discussed by the applicant shows that prior funding opportunities totaling [REDACTED] are in place and have generated over [REDACTED] in facility leverage that impacts 41 charter schools. The applicant outlines in Appendix H the number of schools served and the financing provided and delineates the Credit Enhancement funds to show their impact. (Page e52, e146)

Weaknesses:

None noted

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:

- (1) The applicant presents the key project personnel within their overall staffing plan and includes their specific experience which encompasses over 180 years in financing charter school facilities. The applicant also provides their qualifications and current responsibilities and correlates this with how they can use their experience to enhance the Credit

Enhancement Program. Areas of expertise include experience financing charter schools at both commercial banks, consulting in real estate development, teaching and/or serving on the boards of charter schools and evaluating charter school programs. (Pages e52, e62/Attachment 4)

2. The applicant provides qualifications and current responsibilities of staff members and correlates this how they can use their experience to enhance the Credit Enhancement Program. The applicant shares the project lead and her specific qualifications which indicate she is capable of leading this charter grant opportunity as it is the same roll she has had with their last two Credit Enhancement grants. The applicant outlines the different departments which includes charter school quality, lenders, portfolio management, grant reporting and data collection support. The project staffing chart illustrates how each department will work with each other and be responsible for reporting to the board of directors. (Pages e53-e56, e188, Attachment 4)

Weaknesses:

None noted

Reader's Score: 15

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Technical Review Coversheet

Applicant: BlueHub Loan Fund, Inc. (S354A210007)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Quality of Project Design	35	35
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	100
Total	100	100

Technical Review Form

Panel #2 - FY21 Credit Enhancement - 2: 84.354A

Reader #2: *****

Applicant: BlueHub Loan Fund, Inc. (S354A210007)

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:

- a.1. On pages e21 through e23, the applicant proposes to use the Credit Enhancement grant to provide interest rates below market by 200 basis points and offer loans more than 100% loan to value, along with extended interest-only periods and amortization of loans exceeding the loan term length. The applicant makes a cogent case that its proposed use will exceed what charter schools have access to via Chart 1 on page e23.
- a.2. Starting on page e24, the applicant provides clear and measurable project goals, objectives, and timelines that are consistent with the proposed use of the Credit Enhancement program, identifying and quantifying intended leverage, number of charter schools impacted, geographies located, and type and life stage of charter schools, against the backdrop of a detailed multi-year timeline for credit enhancement deployment on page e35. The applicant goes further to articulate goals and objectives that also codify the type of financing being deployed, as well as the number of charter schools that will receive technical assistance.
- a.3. The applicant proposes a project implementation plan and activities, on pages e27 through e29, that are consistent with the scope of credit enhancement it has described, with specific activities that describe how it will develop and expand on its existing 250+ partner network of schools, authorizers, consultants, developers, and policy experts to enhance its ability to identify underserved markets, as well as high quality charter schools that have unmet facility needs. The applicant bolsters its project implementation plan's likelihood of success by including activities to help it identify strong states for charter schools.
- a.4. The applicant is proposing to implement credit enhancement in a similar manner to its participation in prior Credit Enhancement awards in years past (pages e33-34), which have yielded positive performance results to date.
- a.5. The applicant describes a multi-faceted approach to assessing and selecting individual schools on pages e29 through e31. The criteria the applicant has identified and outlined are comprehensive and consistent with high performing

practitioners and lenders in the charter school facility space. The applicant further adds credibility to its ability to appropriately select charter schools given its track record as a pioneer among CDFI peers for its holistic assessment of prospective charter school borrowers.

a.6. The applicant provides a plan on page e32 to leverage ██████ in capital, informed by its past performance with prior Credit Enhancement awards. The sizeable 15x leverage being proposed requires extensive partnership with public and private partners to provide the capital, and, given the prior awards' success and leverage, the applicant's plan is further strengthened.

a.7. On page e29, the applicant has identified using the Credit Enhancement funds in underserved state markets in the Southeast and Gulf States, with 4 states (AL, LA, SC, and TX) in its target focus; AL and LA were ranked in the top ten of states in terms of strong charter school laws in 2021, and SC and TX were ranked in the Center for Education Reform (CER) top ten for its 2021 scorecard. This focused area is evidence of a focus on deploying credit enhancement in states with strong charter laws.

a.8. On page e104, the applicant describes its plan via the annotated budget to charge no more than ██████ of the administrative costs to the grant, with the balance being used for credit enhancement and any unmet expenses covered through the organization's operating budget. The sizable leverage of 15x further strengthens the reasonableness of the request.

Weaknesses:

No weaknesses present.

Reader's Score: 35

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:

b.1. and b.2. The applicant, on page e36, describes its ongoing discussions with over 200 schools, 12 funders, 15 state associations, and 20 authorizers, with 50 charter schools in the past 6 months alone, to inform its product construction to be responsive to needs identified in the charter school financing space. The breadth of the contact (type and number) is reflective of a credible strategy for identifying needs and then being responsive in the product construction. To this latter matter, on page e38, the applicant cites that it has used this feedback and input to target 2/3rds of the award to support early-stage and start-up schools in response specifically to operators' reports of limited financing availability for those types of schools. This effectively demonstrates an ongoing mechanism for input incorporation into the credit enhancement

implementation.

b.3. The applicant outlines on pages e38-40 several cost-effective products that will increase access to financing and benefit schools in conjunction with credit enhancement, including making unsecured predevelopment loans with limited LTV restrictions, offering term loans with limited or no equity and facilities that require work beyond the initial acquisition, as well as leasehold loans that other lenders avoid. Beyond those products, the applicant commits to low origination costs, limited third-party fees, and interest rates at or below market rates adjusted by risk-pricing. These represent material concessions in pricing and term features that are outside of what has typically been available to charter schools.

On page e42, the applicant provides a strong account of its technical assistance offered to both borrowers and non-borrowers, as evidenced by its partnership with notable organizations Charter School Growth Fund and New Schools for Alabama.

b.4. The applicant describes a comprehensive process for assessing academic, organizational, and financial factors of each prospective borrower on pages e29 through e31 that lends credence to their ability to identify charter schools with the highest likelihood of success. On page e42, the applicant describes how it leverages partners to inform how it locates high needs charter schools. The process and the use of partners reflect credibility for identifying and assessing schools.

Weaknesses:

No weaknesses present.

Reader's Score: 15

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.**

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among factors (1)-(5), (7), and (8)

Strengths:

- c.1. On page e44, the applicant describes 20 years of experience as a charter school lender, providing ██████ in direct financing for 57 charter schools. This extensive history and scope are reflective of the requisite level of experience to implement the Credit Enhancement proposal outlined.
- c.2. The applicant has an A- rating with S&P Global Ratings, which is a stable outlook and indicates strong credit worthiness, along with stable financial position, and high asset (loan quality). Moreover, given that the applicant has been 100% self-sufficient since 2005, the applicant demonstrates an intrinsic financial ability to be able to sustain its operations.
- c.3. The applicant's lack of any loan loss or charge-off of any of its charter school loan portfolio (page e47) reflects a system of adequate credit policies and processes that minimize unwarranted risk. The applicant describes its approach to underwriting and portfolio monitoring on pages e48-49, a system that has led to no loan losses or charge-offs. Additionally, the applicant is leveraging loan loss reserves and a risk rating system to complement its underwriting and portfolio monitoring, which are standard but often ignored aspects of an effective risk management strategy.
- c.4. The applicant's experience over the past 20 years is primarily with charter schools, which bolsters its claim to be able to evaluate likelihood of success, further supported by the lack of loan losses (page e47) and over 96% of the schools it has funded remaining in operation (page e51).
- c.5. The applicant includes an industry standard, board-adopted conflict of interest policy on pages e65-68, which describes how to prevent conflicts of interest, as well as how to disclose those conflicts and mitigate them. This positions the applicant well to avoid any issues and is reflective of a reasonable response to questions of conflict of interest.
- c.8. The applicant, on page e51, reports that it has received two prior awards, which leveraged ██████ for 41 charter schools, meeting or exceeding all the targets specified in those performance agreements

Weaknesses:

No weaknesses noted.

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:

- d.1. The applicant provides an overview of the project personnel, starting on page e52, to be involved, with the team including the project director having extensive (over 160+ years) experience financing charter school facilities. All the identified staff have significant experience and training in charter school finance, charter school lending, and school facility development.
- d.2. The staffing plan is appropriate for the proposed grant project, with key functional areas reflected by key staff members and their supporting team. The applicant further details the use of its board of directors and its committee

members on pages e56 and e57, who provide additional advisory and oversight resources for an already experienced team.

Weaknesses:

No weaknesses noted.

Reader's Score: 15

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Technical Review Coversheet

Applicant: BlueHub Loan Fund, Inc. (S354A210007)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design and Significance		
1. Quality of Project Design	35	33
Quality of Project Services		
1. Project Services	15	15
Capacity		
1. Capacity	35	34
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	100	97
Total	100	97

Technical Review Form

Panel #2 - FY21 Credit Enhancement - 2: 84.354A

Reader #3: *****

Applicant: BlueHub Loan Fund, Inc. (S354A210007)

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 grant proposal will provide appropriate financing to charter schools at better rates and terms than they can receive without the assistance offered through this proposed project. BlueHub Loan Fund (BHLF) will be providing interest rates that are an average of 200 basis points (2%) lower than comparable financing without the credit enhancement. The applicant indicates that the loan fund will offer loan-to-value in excess of 100% and not require school equity contributions. (Pages e22-23)

(2)The applicant has developed goals and objectives that are clear, measurable, and linked to the purpose of the proposed project. The project has five specific goals. For example, in Goal #2, to increase the number and variety of charter schools and effectively meet start-up and early-stage schools' need for financing, the BHLF will support at least 27 charter schools and support at least 9 start-up schools and 9 early-state schools. The applicant has demonstrated the connections among the goals, objectives, and outcomes through a comprehensive logic model. (Page e24-26 and Logic Model page e98)

(3)The applicant demonstrates clear connections between the activities in their implementation plan that link to the objectives and goals of the proposed project. For example, BHLF will work to draw from its network of charter school advocates, lending partners, authorizers, educational consultants, facility developers, and school operators to identify underserved markets, high quality charter schools, and co-investors. These partners will assist in identifying the needs in the areas to be served. (Page e29)

(4)BHLF has demonstrated that replicating results has already occurred through previous awards. This project will also be expanding markets and extending services to more areas of the country. The applicant plans to evaluate the proposed project and then provide information about the products developed to charter school practitioners, funders, and advocacy

organizations. This will provide for appropriate replication for other entities. (Page e23)

(5)The applicant has developed a comprehensive plan for the selection of individual schools. This plan includes a holistic assessment of schools including the likelihood of generating positive academic outcomes for students, governance and leadership capacity, ability to successfully manage real estate projects, ability to repay debt, and financial strength. These guidelines will ensure selection processes are effective. (Page e28-32)

(6)The applicant demonstrates that the proposed project will provide predevelopment and acquisition financing from other lenders to provide a leverage ratio of 18:1. Letters of support are included that indicate previous support for appropriate leverage ratios. For example, one of the financial institutions has worked with BHLF to support financing on a [REDACTED] project for a charter school in New York. That project closed at a loan-to-value ratio of over 100%. (Page e32,e35, and e288-346)

(7)The applicant will target charter schools in states with strong charter school laws. The use of the National Alliance for Public Charter Schools (NAPC) and Center for Education Reform (CER) rankings of state public charter schools' laws will be used. In the past this has been successful for BHLF as 85.7% of the schools financed are located in states based on these criteria. (Page e29)

(8) The [REDACTED] request and the project costs are reasonable. This grant will support [REDACTED] in financing from BHLF and [REDACTED] from other private-sector and non-Federal funders for 27 schools over five years. Administrative costs are limited at [REDACTED]. That is reasonable. (Page e43 and Page e190)

Weaknesses:

(1)The applicant does not clearly define how the loan fund will be able to provide better rates and terms. For example, it is not clear where contributions will be coming from. It is not clear if the better rates and terms will be the result of any reserve funds or from other supportive organizations. Without this information, it is difficult to determine if the applicant will have the resources to accomplish the lowering of rates and enhancing terms.

(6)The applicant does not clearly identify how many funds have been committed by private lending organizations to provide leverage. A clear listing of those organizations and amount of commitment would clarify the amounts of projected leverage to be provided. The letters of support indicate support ; however, not estimations as to the projected support for this project. For example, one of the financial institutions included that as a senior leader of a previous project with BlueHub, the partnership was successful; however, that partner does not indicate the level of financial support that will be available for this proposed project. (Page e305)

Reader's Score: 33

Selection Criteria - Quality of Project Services

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

- (1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- (2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- (3) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms;**

and

(4) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.

Strengths:

(1) The applicant has provided adequate support for the services that will be provided by the project that reflects the identified needs of the charter schools to be served. For example, the four areas of loans include leasehold improvement, pre-development, acquisition and construction. These types of products will address the identified needs for the early-stage and start-up schools as well as expanding into the southeast and gulf regions to address the unmet needs in those areas. (Page e37-38 and Page e23)

(2)The applicant has continued to rely on previous partnerships with charter schools, funders, authorizers, and state associations to provide for input into the design of the proposed project. The applicant is clearly supported by over forty partners who have provided letters of support endorsing BHLF and this proposed project. (Pages e36 and Letters of Support, Pages e288-346)

(3)The applicant will provide at least 50 prospective charter school borrowers with technical assistance that helps them decide whether, when and how to engage in facilities projects. BHLF will support every charter school operator with detailed analysis of cashflow projections. These efforts will provide cost-effective strategies for individual schools. BHLF provides additional guidance on project budgeting financial modeling and project planning including connecting the charter school operators with consultants who can help them. (Page e31-32 and Page e42)

(4)The applicant provides services that will effectively focus on the schools that have the greatest demonstrated need for assistance. For example, start-up and early-stage schools may have limited access to funds due to being viewed as too risky by banks because of lack of extensive fundraising capacity and real estate values that cannot support the amount of the debt required. The bank may be uncertain about the schools' ability to meet enrollment targets and achieve continued charter renewal. This proposed project addresses these needs by providing adequate support for more reasonable fees and lending terms. (Page e42)

Weaknesses:

No weaknesses found.

Reader's Score: 15

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.

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among factors (1)-(5), (7), and (8)

Strengths:

- (1)The applicant clearly establishes that the experiences partnering with charter schools and providing loan products for the past twenty years has provided them with the quality of experience necessary for the capacity to undertake this proposed project. BHLF has provided ██████████ in financing for 57 charter schools. (Page e44)
- (2)BHLF has clearly established the financial stability and strength to have the capacity to carry out the proposed project. The BHLF credit rating is an A- with a stable outlook. The applicant has a strong net asset balance of over ██████████ . (Pages e46-47)
- (3)The applicant has demonstrated clearly that it has the ability and capacity to protect against unwarranted financial risk in loan underwriting portfolio monitoring and financial management. For example, BHLF has never experienced a loan loss in its charter loan portfolio. BHLF's cumulative loan loss rate is .27%. (Page e47) The applicant clearly outlines policies and procedures that will ensure against unwarranted risk. Those policies and procedures address underwriting standards, portfolio monitoring, portfolio performance, and financial management/risk mitigation. (Pages e48-e51)
- (4)The applicant demonstrates that BHLF has found success in supporting schools that can successfully repay the debt. Ninety-six percent of the schools served by BHLF remain in operation and are achieving projected enrollment goals. (Page e51)
- (5)The applicant documents the ability and capacity to prevent conflicts of interest by employees and members of the board of directors in a clearly defined standard of conduct. Both employees and board members review and complete conflict of interest disclosure statements annually. (Page e51 and Pages e65-68)
- (8)The applicant clearly demonstrates the past successes of the organization. BHLF has received two ED Credit Enhancement Awards in the past. The organization successfully deployed those awards. The organization has leveraged a total of ██████████ in facilities financing to 41 charter schools. (Page e52)

Weaknesses:

- (4)The applicant does not provide specific information regarding how they evaluate the likelihood of academic success of a charter school. The applicant indicates that they will finance schools that support students' academic growth and proficiency, however, does not identify what criteria will be used to determine that growth or proficiency. (Page e51)

Reader's Score: 34

Selection Criteria - Quality of Project Personnel

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

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

Strengths:

(1)The key personnel for the proposed project have relevant training and experiences that will support the completion of the project. The experiences include a wide variety of backgrounds. For example, the project manager has over 20 years of experience in community development finance and had led over 40 charter school facilities financing projects. The Charter School Quality and Impact Expert has worked for five years in public schools and has a masters in public policy with a specialty in economics, labor, and education. The board of directors includes individuals with experiences in school curriculum and development and school facility construction. (Resumes page e61-97 and Page e53-56)

(2)The staffing plan and the organizational charts for the proposed project are comprehensive and demonstrate the strength of the implementation team. The Project Staffing Chart outlines clearly the responsibilities of the key leadership positions and the chain of command for the project. (Page e52-57 and Page e188)

Weaknesses:

No weaknesses found.

Reader's Score: 15

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