

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

Status: Submitted

Last Updated: 09/03/2021 07:47 AM

## Technical Review Coversheet

**Applicant:** Charter Facility Solutions (S354A210009)

**Reader #1:** \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design and Significance</b>		
1. Quality of Project Design	35	32
<b>Quality of Project Services</b>		
1. Project Services	15	13
<b>Capacity</b>		
1. Capacity	35	30
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	13
<b>Sub Total</b>	100	88
<b>Total</b>	100	88

# Technical Review Form

Panel #1 - FY21 Credit Enhancement - 1: 84.354A

Reader #1: \*\*\*\*\*

Applicant: Charter Facility Solutions (S354A210009)

## 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 is a start-up with a promising approach to facilitating charter facility financing. The aim of the proposal is to provide credit enhancements and loan and lease guarantees to increase the impact of the low-cost subordinate financing the applicant is already providing (p. e18 – e19). The result of the planned use of the requested CE is expected to be lower costs for the assisted charters through more and lower-cost first mortgage financing and leasehold improvement allowances as well as a reduction in the amount of subordinate financing that the applicant needs to offer to complete financing packages.
2. The applicant's goals and objectives seem solid and would further the purposes of the program, especially with respect to the planned activities in CO where the applicant's operations are already established (p. e22 – e24).
3. The applicant's implementation plan would further the purposes of the program and seems achievable with respect to the portion of the proposed activities that are planned for CO where the applicant already has operations (p. e24 – e28)
4. The applicant is already providing low-cost capital as a result of the commitment of local philanthropic capital. They have been urged to replicate that model and seem to have laid the foundation for doing so in four other states. The plan for enriching their existing approach with the requested CE award is promising, would likely magnify its impact and its attractiveness to other communities that have potential to raise significant low-cost foundation capital and want to get the maximum impact from that resource (p. e28 – e29).
5. The applicant's selection criteria are appropriate and have already been confirmed by their limited experience (p. e29 – e30).
6. The applicant expects to be able to generate leverage of [REDACTED] from the requested [REDACTED] CE award over the first five years for a leverage ratio of 8.6 to 1 and could both provide more charters with affordable financing and draw more philanthropic capital into helping to finance the development of charter school facilities.
7. The applicant demonstrates that CO, one of the areas where they propose to focus their program, has a strong charter school law (p. e33 -e34).

8. The applicant's request and projected costs are reasonable relative to the potential impact of the proposed activities which, if successful, would increase the impact of the applicant's efforts to expand the availability of affordable charter school financing in CO and two other states. (p. e36 & e39 – e40)

**Weaknesses:**

1. The applicant's plan to expand operations to two additional, not yet identified states makes the goals and implementation plan somewhat unrealistic.
2. The applicant's approach to selection has not yet been meaningfully tested.
3. The projected level of leverage is not particularly high.
4. While CO has a strong charter school law the applicant intends to deploy the requested CE in CO and a couple of other not-yet-determined states. Though the application names the other states that are under consideration it does not address the strength of the charter laws in them.

**Reader's Score: 32**

**Selection Criteria - Quality of Project Services**

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

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

**Strengths:**

- (1) The applicant's proposed use of the CE would address key obstacles that stand in the way of charter school facility development and would serve to amplify the impact of their existing program that also addresses critical gaps. (p. e35 -e36).
- (2) The applicant's proposal is grounded in the original conversations with stakeholders that led to the development of the applicant organization and its model and have also been informed by continuing discussion with charters schools and other partners, a number of whom have also contributed support letters. (p. e36 – e39 & e65 – e79).
- (3) The applicant will not charge for its technical assistance, which it offers through workshops, publications, and one-one support of schools that fit its general screens. The organization also has fees that are intentionally below market and its core offerings are priced at 4% or less, well below typical rates for subordinate debt (p. e40 – e41).
- (4) While the applicant has a short record of successfully lending to chart school facilities, its staff includes one person with deep experience in education and in lending to charter facilities, and the organization's approach seems to be sound and grounded in assessing school quality as well as organizational and project strength.

**Weaknesses:**

- (1) The applicant does not mention conversations with authorizing agencies and those agencies are also not among the stakeholders providing support letters for the applicant (p. e65 – e79). Also, the application does not indicate

engagement in the design phase with charters and stakeholders in the proposed expansion states.

(2) The organization's approach to identifying those that are likely to succeed is not yet tested.

**Reader's Score: 13**

### **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 has some experience lending to charter schools and its Executive Director (ED) has a great deal of experience. A second staff person has excellent lending experience. Also, the organization seems to have a strong network of partners and supporters.
2. The applicant appears to be a solid financial foundation, as reflected in its audits.
3. The applicant's description of its systems for financial management, underwriting, risk management and servicing, and portfolio monitoring seem sound as a foundation (p. e45 – e46).
4. The applicant has limited educational experience as an organization because it is new, but its ED has extensive experience with charter schools, and they contract with education specialists to help them assess the educational position and prospects of potential borrowers.
5. The applicant has a comprehensive conflicts of interest policy that applies to officers, directors, and employees, and that should allow them to identify potential conflicts and prevent them from becoming actual conflicts.

#### **Weaknesses:**

1. The applicant organization does not yet have a substantial track record of its own, even in CO, where its operations are established, and has limited experience in the two expansion states that it hopes to move into with the

requested CE award.

2. The organization is still a start-up financially. Its total assets are only [REDACTED] at FYE 2020 so the requested award would more than double its size. It has made just under [REDACTED] in loans in its history, but the scale of its operations, even in CO, are still quite small with only [REDACTED] in loans outstanding at the end of fiscal year 2020.
3. The applicant's description of their systems for risk management is general and no policies are attached.

**Reader's Score: 30**

#### **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's staff and contractors have excellent experience for expansion within CO given the success of the CO program to date and their prior experience and training.
2. The staffing plan is reasonable for continuing growth in CO because it is grounded in their experience to date in the state.

##### **Weaknesses:**

1. The existing staff may be capable of leading an expansion to two additional states, but there is no track record that demonstrates that.
2. Because the applicant's proposed expansion to two additional states is something they have not done previously their staffing projections for it are not grounded in a track record of having previously accomplished a similar task, and seem, for that reason, less dependable.

**Reader's Score: 13**

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**Status:** Submitted  
**Last Updated:** 09/03/2021 07:47 AM

Status: Submitted

Last Updated: 09/01/2021 02:18 AM

## Technical Review Coversheet

Applicant: Charter Facility Solutions (S354A210009)

Reader #2: \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design and Significance</b>		
1. Quality of Project Design	35	28
<b>Quality of Project Services</b>		
1. Project Services	15	12
<b>Capacity</b>		
1. Capacity	35	32
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	13
	<b>Sub Total</b>	85
	<b>Total</b>	85

# Technical Review Form

Panel #1 - FY21 Credit Enhancement - 1: 84.354A

Reader #2: \*\*\*\*\*

Applicant: Charter Facility Solutions (S354A210009)

## 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) Charter Facility Solutions (CFS) will offer loan and lease guarantees through its Loan Program, using financing that is advantageous in comparison to traditional venues. This includes interest rates from 1% to 6% (not to exceed 3.5%) below bank interest rates for subordinate, leasehold, and start-up loans and flexible payoff terms with the ability to provide incremental financing for phased construction. (page e19)
- 2) The applicant is targeting the [REDACTED] request for 22 schools that meet their criteria while creating or preserving at least 10,000 student seats. The project goals, objectives, and timeline are reasonable given their track record. Approximately 80% of loan receipts will either directly replace an underperforming school or open to serve a community of great need. 70% of the loan receipts will be rated "performing" on its State Performance Framework within their first three years and 20% will be led by people of color.
- 3) The applicant's implementation plan includes partnerships and activities that include raising capital to support operations and lending activities of the organization. (page e25) They will utilize the same program design, structure, and systems as indicated in their logic model. The project implementation plan and activities are reasonable and likely to achieve measurable objectives.
- 4) The applicant was founded and formed by local Colorado foundations in 2016, with the mission of providing and facilitating affordable facility solutions to increase the number of high-quality public charter school seats for the state's at risk students. (page e15) Their strategy and grant recipients from 2016 to the present indicate that the applicant has the ability to replicate the model into two new markets. (page e12)
- 5) The application details the charter school selection criteria and includes careful evaluation of both their mission and communities in priority need areas with 60% of schools meeting the state's performance framework, (pages e30-32)
- 6) The applicants will use the [REDACTED] US Department of Education Credit Enhancement to support [REDACTED] in loans and leverage [REDACTED] in private sector funding from other financial institutions. (page e32) The strategy includes recycling its own funds at least once over the second-five-year period, providing more than [REDACTED] in total financing and reaching a leverage ratio of 15:1 over a 10-year period. This demonstrates their ability to assist charter schools that

would not receive financial opportunities if the program were not available

7) Colorado ranked second out of 45 in 2021, by the National Alliance for Public Charter Schools, indicating strong charter school laws. It also supports priorities set forth in ESEA. The center for Education and Reform (CER) assigned a "C" grade to Colorado ranking the state's charter school laws as the 17th strongest. The state lost points because of the lack of availability of choice programs, vouchers, tax credits, and the Blaine Amendment, which limits educational opportunities to families. (pages e33-34) Overall, the state's laws continue to evolve demonstrating their commitment to charter schools.

8) The applicant has demonstrated a successful track record in financing activity with flexible lending to charter schools in Colorado. The application gives different lending examples based on a charter school's area of need. They implement both qualitative and quantitative credit assessments when working with charter schools. (page e35)

#### **Weaknesses:**

6) The applicant includes leveraging [REDACTED] in new financing in their strategy, however there are no letters of support documenting the new sources of funds or relationships.

7) The applicant mentions the criteria for establishing Colorado as a state with strong charter school laws, however there is no mention of ranking future states. The planned expansion is in New Mexico, Alabama, Idaho, and Mississippi, where the ranking information is pertinent for the assessment.

8) The application references a pipeline, but no documentation is included in the exhibits. The information would assist in assessing expansion outside of Colorado.

**Reader's Score: 28**

#### **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) Charter Facility Solutions was founded by a group of local foundations seeking new strategies to support strong charter schools in the state. Schools outside of the Denver area needed assistance in resolving issues including facility design, construction, and financing. The model reflects identified needs and creates a cost-effective mechanism supporting facility investment. (page e35)

2) The applicant has ongoing engagement with stakeholders that include school leaders and education reform support organizations, resulting in four areas of need that influenced the project design. (page e36) This demonstrates their ongoing engagement to include needs identified in the design of the program.

3) The applicant designed technical assistance with two goals: 1) help schools understand the basics of facility projects and 2) connect schools to vetted advisory professionals who have experience working with charter schools. (page e37) The strategy includes group workshops, presentations, online and published resources, and one-on-one meetings and consultations. (page e38) This aspect of their model demonstrates sound planning of the target schools'

needs.

4) The applicant will utilize information about school quality and performance through the Colorado accountability system as part of their strategy along with evaluation reports from authorizers and direct interviews with leadership teams. (page e41) The same criteria analysis using educational consultants with knowledge about performance framework will apply for other states. (page e42)

**Weaknesses:**

1) The application did not include research or data pertaining to the new target markets the Charter School Facilities is planning to enter. This information would assist in determining the effectiveness of the strategy.

**Reader's Score: 12**

**Selection Criteria - Capacity**

**1. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers—**

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

**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) Charter Facility Solutions (CFS) is established, making their first charter school loan in 2018. To date they have made a total of 14 loans totaling [REDACTED] and representing 10 facility and 4 start-up transactions. Upon full enrollment, these schools will serve approximately 5,400 students. (page e42)
- 2) Charter Facility Solutions (CFS) audited financials indicate an organization that is stable with no findings. (page e117-168)
- 3) The applicant uses a mix of strategies to assist in risk mitigation. This includes portfolio quarterly and semi-annual monitoring overseen by the Director of Commercial Lending and a separate credit committee. (pages e45-46)
- 4) Charter Facility Solutions has the experience and depth of knowledge to evaluate academic programs. Three members of their management team have experience in education in varying capacities in addition to underwriting,

authorizing charter schools, and evaluating school performance. (pages e46-47)

5) Charter Facility Solutions has an extensive conflict of interest policy that applies to employees, board members, and members of the credit committee. The application features Standards of Conduct, which includes the Conflict of Interest Policy. (page e70-74) Board members have signed an Affirmation of Compliance to the Conflict of Interest Policy. An independent credit committee was formed in 2018 to further guard against conflicts of interest. (page e47)

**Weaknesses:**

5) Two of the board members are also investors, and, although there is a separate credit committee, additional organizational details would assist in ensuring unbiased review of loan transactions. Also, the applicant has a short-term track record in engaging with partners. Also, the strategy does not detail partnership efforts in new states being considered for expansion.

**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:**

- 1) The Executive Director has been underwriting loans to charter schools for over 17 years and, along with other members of the team, has experience working with all aspects of charter schools that include academic programs, governance, and facility projects. This demonstrates the stability of the personnel.
- 2) Grant administration components will be led and managed by the current management team. The depth of knowledge and experience with the organization includes underwriting, business development, technical assistance, and portfolio monitoring.

**Weaknesses:**

2) The application neglects to clearly address the management and oversight of expansion as it pertains to staffing. An organizational chart would clarify reporting, including areas of responsibility for the expansion into the two new states.

**Reader's Score: 13**

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**Status:** Submitted  
**Last Updated:** 09/01/2021 02:18 AM

Status: Submitted

Last Updated: 08/31/2021 06:36 PM

## Technical Review Coversheet

Applicant: Charter Facility Solutions (S354A210009)

Reader #3: \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design and Significance</b>		
1. Quality of Project Design	35	31
<b>Quality of Project Services</b>		
1. Project Services	15	13
<b>Capacity</b>		
1. Capacity	35	30
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	13
<b>Sub Total</b>	100	87
<b>Total</b>	100	87

# Technical Review Form

Panel #1 - FY21 Credit Enhancement - 1: 84.354A

Reader #3: \*\*\*\*\*

Applicant: Charter Facility Solutions (S354A210009)

## 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. Through the use of philanthropic and credit enhancement dollars combined, the applicant presents a grant project that will greatly reduce the cost of facilities to charter schools. Interest rates will be 100 – 600 basis points below market rates, with loans for up to 100% of the project value and flexible payoff terms. Additionally, charter schools are able to access a phased-in loan structure for construction, only borrowing as much as they need at a given time and then rolling that into permanent financing. These rates and terms will enable charter schools to have additional funding that will benefit students instead of schools being forced to purchase overpriced facilities. Additionally, the applicant will offer [REDACTED] pre-development loans to assist charter schools in determining whether or not their facility is viable before committing to construction. (Pgs. e19-e22)

2. Measurable goals and objectives are presented that clearly outline the finance offerings that will be provided by this grant project. The timeline presented corresponds to the narrative and the possible products that will be offered during the first five years of the grant project. (Pgs. e22-e24)

3. A detailed implementation plan is provided. It outlines the necessary activities that are already in process or will begin after receipt of the CE grant. Each step in the process includes names of entities with which the applicant will partner to make this project a reality. Letters of support speak to the past work of the applicant in securing funding for charter school facilities and the manner in which the applicant conducts business. All of the letters speak to a well-organized, philanthropic minded organization that is making a big difference for charter schools in Colorado. (Pgs. e65-e79 and e12-e15)

4. The very nature of this project is borrowed from other successful CE lenders across the nation. Both aspects of the grant project and the use of subordinate loan structure and leasehold improvement loans have been tried and are practiced through several major lenders in the charter school facilities sector. This organization will take its experience as

a locally grown establishment supported by local philanthropy and slowly merge into other markets in vast need of facility acquisition assistance. Because the overhead of this applicant is low, as it is a non-profit entity and the organization has grown slowly and methodically, this project has a very good chance of successful replication. (Pgs. e28 e29)

5. Each charter school will be vetted for inclusion in the grant project based on several criteria. These include location, the need of high-quality schools within communities, the percentage of students receiving FRL, school academic performance, financial sustainability, and leadership capacity. Each school will be provided with assistance in determining what type of loan product is needed based on their immediate and longer-term need. These criteria and the manner in which they will be utilized, should produce appropriate loans products for specific charter schools. (Pgs. e28–e32)

6. The application indicates that both public and private sector dollars will be utilized to provide a 10 year leverage of ratio of 15:1 and assist up to 50 new schools, adding 20,000 student seats in that time period. The make-up of charter schools assisted with this program include existing charters and new and early-stage charter schools depending on their need. (Pgs. e32-e33)

7. According to the National Alliance for Public Charter Schools (Alliance) ranks, Colorado has the second strongest charter law in the United States. Several factors contribute to this rating but, most importantly, that state law has recently changed, and districts must share funds raised through mill levy proceeds with charter schools. (Pgs. e33-e34)

8. The requested amount, [REDACTED], is reasonable based on the breadth of the project and the ability to leverage this 15 times over 10 years. Costs as a percentage of grant funds will be limited as most funding for operations come from philanthropic dollars. (Pg. e35)

**Weaknesses:**

1. The applicant is a relatively young organization focusing on the state of Colorado. Details surrounding the proposed expansion into four other states should have been provided and thoroughly explained.

7. Although the Alliance ranks Colorado very highly, the Center for Education Reform (CER) does not. According to the CER, Colorado is #17 out of 45 rankings due to the lack of state programs such as tax credits, vouchers, and scholarships. Additionally, the inclusion of the Blaine Amendment in the state constitution, has been used in the past to the limit additional educational opportunities. The applicant did not include information on the strength of the additional four states that will become part of this grant project upon award. (Pg. e34)

8. The applicant should have provided hard documentation of the pipeline of charter schools in need of credit enhancement. This information would have made the application stronger.

**Reader's Score: 31**

**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 was founded by local foundations that supported charter schools but realized that the sector could not continue to grow unless the charters had support acquiring facilities. Charter Facility Solutions was the vehicle by which the foundations felt they could most assist with the facility problem. This grant project is a direct result of charter school needs in the state of Colorado. (Pgs. e35 – e36)
2. Through multiple conversations with the applicant prior to its beginning and during the past 5 years, charter schools have made their specific facility needs known. From these conversations, the applicant designed the grant project as it is presented in the application. (Pg. e36-e38)
3. Technical assistance is provided free of charge through a variety of appropriate avenues. Discounted rates are 100-600 basis points lower than market rates and include longer amortization periods for both leasehold and purchase transactions. A 1% fee is charged for credit enhancement, which is industry standard. Borrowers will also be charged a 4% fee for loan and lease guarantees for short terms up to 5 years. This is significantly lower than what is charged for these loan products by CDFIs. Overall, fees for services are reasonable and loan terms are favorable to charter schools. (Pgs. e39-e41)
4. The state of Colorado provides clear and transparent information regarding school performance and school quality, making it easy to make a determination of the likelihood of success of established charter schools. In the case of new or early-stage charter schools that lack data, the applicant proposes careful review of the school's design and of the evaluation reports made by the charter authorizing bodies of the charter school's application. Additionally, interviews with board members and members of the leadership team will help to affirm or deny a new charter school's ability to succeed. (Pgs. e41-e42)

**Weaknesses:**

4. There is no discussion as to how the charter schools located in the other states targeted for inclusion in this grant project will be judged as to the likelihood of their success.

**Reader's Score:** 13

**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. While the applicant is relatively young in the charter school facility financing sector, the organization is heavy on experience. The Executive Director has 17 years of specific experience in the lending of funds for charter facilities. Through her work at Self-Help, as the Director of Charter School lending, she increased that organization's lending portfolio from \$20 million to \$250 million. Additionally, the Board of Directors has many individuals with banking and financing experience to round out the team of individuals supporting this project. (Pgs. e42 - e43)
2. The organization was founded in 2016 and, to date, they have raised [REDACTED] in grants that cover their operating costs. Earned income through fees and interest income as well as funds received through grants continues to cover their small operating margin with money to spare. A primary source of loan capital is an [REDACTED] program-related investment loan from local foundations. CFS runs a very lean operation with shared office space. This contributes to their low operating costs and their ability to focus money received to charter schools. Marketing costs are low, as the relationship with the Colorado League of Charter School affords them opportunities to present at annual conferences and other regional meetings. Most of the loan underwriting is done in-house, alleviating the use of costly services. All of these aspects lead to an organization that is not flush with cash but is stable in its work. (Pgs. e44-e45)
3. A separate credit committee considers each loan transaction to ensure no bias is present in approvals. Additionally, a thorough due diligence review of each charter school applicant includes academics, finances, and operations/governance. This process will ensure the charter schools receiving loans are on their way to being successful schools with the ability to carry and repay the debt. Consultants are used to perform academic reviews when needed to ensure thoroughness. Guidelines are given as to how many of each type of loan will be provided and what limits are imposed on each type of loan. Processes are design to assist with the portfolio monitoring of the borrowers. A specific individual in the organization is in charge of overseeing this portfolio. In the event of a struggling school, steps have been established that will lead to more frequent monitoring as needed. (Pgs. e45-e46)
4. A significant amount of educational experience is present in the grant project team. The Executive Director has 17 years of underwriting charter schools including many school site visits and reviewing academic performance and capacity to ensure school success. Additionally, the Executive Director has several years of educating ESL students at a community college. The Director of Commercial Lending was a middle school teacher and understands school operations and systems. A variety of well qualified consultants will be utilized as needed. These individuals will help to determine the likelihood of a charter school being successful, and they have the expertise to make that decision based on data. (Pg. e46-e47)
5. A robust Conflict of Interest policy is included in the Bylaws document. All employees, board members and members of the credit committee must sign the policy. An additional mechanism to avoid a conflict is the use of a credit committee. The committee will review the underwriting recommendations on loans larger than \$100,000, ensuring that there is not a conflict nor an appearance of a conflict in the loan approval process. (Appendix, Bylaws pages 9 and 10 of 12)

**Weaknesses:**

1. There is concern that, because the organization is relatively young, the capacity to handle the management and oversight of an expansion project into different states where the charter school financing landscape is completely different may be extremely limited and the organization may not have the bandwidth to complete the expansion projects. More

specificity surrounding the states that will be included in the project and the specific activities that will be implemented in these states would have made this section stronger.

3. There is no information as to how the applicant will monitor financial management and what steps will be taken to ensure funds are not mismanaged in any way. Documents relating to standard business practices should have been included in the application package.

**Reader's Score: 30**

#### **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 individuals involved with this project have extensive experience in underwriting and funding facility loans for charter schools. The Executive Director has experience with a large entity that provided credit enhancement to charter schools for facility acquisitions. During her tenure, the entity had great success in administering the credit enhancement grant and more than surpassed the goals as defined in the project. The Ex-Director also has significant experience reviewing new charter applications and has served on boards of organizations that authorize and support charter schools. Additionally, the Director of Commercial Lending has teaching and banking experience, bringing to the table aspects from both fields to ensure all applications for assistance have the qualities needed to be successful. Other members of the project team include consultants that will be utilized for specific tasks associated with loan underwriting to ensure appropriate decisions are made with regard to loaning funds for charter facilities. (Pg. e48-e51)

2. The staffing plan for this grant project will be led by the Executive Director and the Director of Commercial Lending, with specific duties assigned to each individual to complete the loan process from initiation to closing. (Pg. e51 - e52)

#### **Weaknesses:**

2. There is no organizational chart provided that would detail what staff members would be responsible for the aspects of expansion into another market. This information is important to include as it speaks to the viability of the organization going forward.

**Reader's Score: 13**

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