

**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: Nonprofit Finance Fund (S354A210003)

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	33
<b>Quality of Project Services</b>		
1. Project Services	15	13
<b>Capacity</b>		
1. Capacity	35	34
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	15
<b>Sub Total</b>	100	95
<b>Total</b>	100	95

# Technical Review Form

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

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

Applicant: Nonprofit Finance Fund (S354A210003)

## Questions

### Selection Criteria - Quality of Project Design and Significance

#### 1. In determining the quality of project design and significance, the Secretary considers—

- (1) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (3) The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;
- (4) The extent to which the project is likely to produce results that are replicable;
- (5) The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;
- (6) The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;
- (7) The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 4303(g)(2) of the ESEA; and
- (8) The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.

#### Strengths:

1. The applicant's use of the CE would allow it to offer a range of facility financing products (leasehold improvement, predevelopment, acquisition/renovation, construction / term loans, and guarantees, p. e16) with highly flexible terms (longer than standard interest only periods, LTV above 100%, amortization up to 30 years, fixed interest rates, flexible subordination and unconventional and non-real estate collateral, p, e16), and better than market rates (an average of 34% below market, p. e16) that would often not be available to the school borrowers they aim to serve, at any price, absent the program.
2. The applicant provides clear project goals, objectives, and timelines: they are measurable, are appropriate in that they would expand financing for charter facilities, seem achievable and are consistent with both the applicant's track record and the purpose of the program (p. e18-e20).
3. The applicant's proposed implementation plan and activities includes partnerships with key local charter support and authorizing bodies in the target states (p. e22) and seems likely to achieve the aimed for measurable results and further the purposes of the program .
4. The applicant aims to demonstrate the credit-worthiness of charters, as well as, the value of flexible underwriting that looks beyond collateral values and charter renewal cycles to more meaningful indicators of charter school success (p. e12). Their approach, if successful, could encourage other lenders to look again at charter facility lending and to adopt some of the practices that the applicant believes will increase the capital to flow to school projects that usually do not have access to credit while also producing strong loan performance.
5. The applicant has developed appropriate criteria for selecting charter schools for assistance and determining the type and amount of assistance to be provided are based on their established charter facility underwriting guidelines, which have allowed them to invest more than [REDACTED] in charter schools (p. e45) with an exceptionally low write-off rate of 0.05% (p. e32).
6. With the requested [REDACTED] CE award the applicant expects to be able to serve at least 30 schools and leverage [REDACTED] in private and public capital over five years and that represents a strong 14:1 leverage ratio (p. e35).

7. All nine of the states that the applicant intends to target meet NAPCS and or CER standards for or strong charter laws as defined in Section 4303(g)(2) (p. e37).
8. The requested grant amount and project costs are reasonable in relation to the scale and significance of the proposed activities and to not charge enhancement fees to the borrowers that benefit from the requested CE award (p. e38).

**Weaknesses:**

1. Though the applicant expects to provide below market rates, the focus of their approach is on providing access to products and financing terms that would otherwise be unavailable, and on maximizing leverage. As a result, their pricing is relatively costly because most of the borrowers would ordinarily not have access to capital or only be able to access very costly capital.
2. The applicant's objectives do not include any objectives related to the educational performance of borrowers (p. e18 -e20).

**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's products are designed to address key challenges that charters face in facility development especially those related to insufficient collateral and equity and the special difficulties of financing leasehold improvements (p. e39). The applicant also provides customized TA, including a financing comparison tool, that is designed to educate schools about financing, help them to make informed choices, and connect them to capable real estate development professionals (p. e20).
2. The applicant's approach and services are based on research, its own experience as a charter facility lender, and specific outreach to charter schools, and chartering agencies regarding program design and critical needs and financing gaps (p. e39).
3. The applicant charges fees that are geared to offsetting its costs and assuring its sustainability, but these fees are similar to, or more advantageous than, those of peers and it does not charge for technical assistance, or access to the benefits of the CE.
4. The applicant has a significant track record in lending to charters schools, and in recent years 39% of the schools they have assisted are start-ups (p. e43). The applicant has achieved very strong loan performance (the write-off rate is 0.5%, p. e43), so they seem to have the skills needed to identify charter schools with the likelihood of success including those, like start-ups, that face the greatest obstacles in accessing facility financing.

**Weaknesses:**

1. The applicant's products allow highly flexible terms, but the interest rates on them, 5% and 6.5% (p. e19) are fairly high and are advantageous only because of the very limited options that many charter schools have because of the weaknesses in their credit profiles.
2. Beyond indicating that it provides customized technical assistance, and mention of the financing comparison tool the applicant does not provide sufficient details about the services that it provides to borrowers. The applicant does not define what it means by customized technical assistance, therefore the description of technical assistance does not provide a good standard for success and is not readily measurable.

**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 substantial experience in lending generally (the organization has made nearly [REDACTED] in loans, p. e45), in lending to charter schools [REDACTED] and 19 years, p. e45) and in offering the kinds of products and flexibility that it proposes to support with the requested CE award. The applicant's performance as a lender has also been strong as demonstrated by low loss rates (overall 2.02%, p. e47 and 0.5% on charter school loans p. e43).
2. The applicant is strong and stable financially as reflected in audits and its Aeris rating of AA- that reflects the rating agency's determination that it has "very strong financial strength, performance and risk management practices" (p. e49).
3. The applicant's systems for financial management, underwriting, risk management and servicing and portfolio monitoring seem strong, and the strong Aeris rating confirms that (p. e39).
4. The applicant has long experience in lending to educational institutions, nearly 20 years experience in lending to

charter schools, and at least two of their staff (the VP of Lending and Director of their Charter School Program, p. e49) also have prior charter school experience in addition to their experience with the applicant's charter school lending.

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.

8. The applicant has received two previous CE awards (with a co-applicant, BlueHub) and has met or exceeded its goals for schools served, development, and leverage, having provided [REDACTED] in CE under those awards to 27 schools while leveraging [REDACTED] (p. e50).

**Weaknesses:**

The applicant received its previous awards in partnership with Blue Hub, but the proposal does not clearly delineate each partner's role so it is not entirely clear how much of the success of previous awards can be attributed to the applicant.

**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 applicant's staff and board are highly qualified and experienced based on their role in building the applicant's significant track record in lending for charter school facilities and by their other training and professional experience.
- 2. The staffing plan for the project seems sound as it is grounded in the applicant's substantial experience as a charter facility lender and as a lender generally.

**Weaknesses:**

none identified

**Reader's Score: 15**

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Status: Submitted

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## Technical Review Coversheet

Applicant: Nonprofit Finance Fund (S354A210003)

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	30
<b>Quality of Project Services</b>		
1. Project Services	15	15
<b>Capacity</b>		
1. Capacity	35	33
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	14
<b>Sub Total</b>	100	92
<b>Total</b>	100	92

# Technical Review Form

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

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

Applicant: Nonprofit Finance Fund (S354A210003)

## 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 would enable the applicant to fund the Charter School Equitable Access Fund (Fund) by creating access to financing that would not normally be available to the target market schools. For example, the model is designed to 1) provide longer-than-standard interest-only periods to lessen debt burden on schools during critical periods, 2) offer loan-to-values up to and more than 100% with no cash equity, 3) amortization periods up to 30 years, 4) average interest rate of 5.25% lower than debt or equity carrying rates starting at 8%, 5) availability of products not typically offered, and 6) financings to early-stage schools, start-up schools, and those in early years of operations. (pages e16-17) These are better rates and terms than traditional market.
- 2) The applicant has developed a robust Logic Model strategy which details clearly specified, measurable, project goals, objectives, and outcomes for the measurement of success. (pages e257-258) Each of the goals; 1) expanding financing for charter schools in underserved communities, 2) expanding supply of affordable, flexible capital, 3) increase start-up and early-stage charter schools access to capital, and 4) improve charter schools' knowledge of real estate financing and project planning and management have measurable objectives. Information in this strategy is appropriate for the purposes of this program.
- 3) The applicant 's organizational strength has a four-star AERIS impact rating, demonstrating their ability to manage processes and systems to track output and outcome data. (pages e267-269) As a Community Development Financial Institution, they have a history of using their data on an ongoing basis to adjust strategies and activities for school and project level data. (page e29) This model demonstrates that the applicant is capable of implementing the plan and activities to achieve measurable objectives furthering the purposes of the program.
- 4) The application includes a replication strategy that's been implemented since late 2015. For example, the Nonprofit Finance Fund started replicating by offering flexible products in underserved markets, which is expected to reach capacity with their 2018 award. (pages e218-219) The applicant has closed ██████████ in loans and New Markets Tax Credits to 12 charter schools in TN since early 2017, which includes ██████████ to four start-up schools and ██████████ in financing to seven schools with a leader of color. (page e30) This demonstrates the likelihood that the



project will produce results that are replicable.

5) The applicant successfully demonstrates how it will apply the same credit standards and processes for selecting qualified charter schools that it has developed and adapted. The criteria include: (i) Educational Quality and Demand, (ii) Real Estate Project Management Capacity, (iii) Financial Strength and Capacity, (iv) School Leadership and Governance, and (v) Population Served, including low-income students, minority students, and students in underperforming school districts. (pages e103-106)

6) The applicant will leverage the grant 14 times to attract a total of [REDACTED] in private and non-Federal capital, prior to recycling for over 30 charter school projects. (pages e36-37) The average loan size is estimated to be under [REDACTED] with the target schools being start-up schools and single-site/independent community centered schools, which typically have smaller capital needs. (page e37) This indicates the applicant's ability to increase the number of schools.

7) The application provides details about the Fund which will be used to increase lending in states with strong charter laws. Data from the National Alliance for Public Charter Schools (NAPCS) indicates that the geographic area Nonprofit Finance Fund services includes 3,630, or 48% of the nation's charter schools representing over 1.7 million students or 52% charter school enrollees. (pages e37-38) They are currently performing outreach in five states ranked in the top by NAPCS or Center for Education Reform. This strategy demonstrates that the project will serve charter schools in States with strong charter laws

8) The applicant projects that the [REDACTED] Grant will leverage [REDACTED] in financing for 30 charter schools over the next five years. (page e38) This is considered reasonable for the cost and design of a project of this size.

#### **Weaknesses:**

2) The applicant plans to attract approximately [REDACTED] of additional capital from existing, new, and diverse sources that are not documented in the application. Additionally, the transaction forecast does not detail loan types by target market.

5) The applicant does not detail in their credit enhancement selection specific guidelines for the data being analyzed for purposes of funding.

**Reader's Score:** 30

#### **Selection Criteria - Quality of Project Services**

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

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

#### **Strengths:**

1) In addition to monitoring the needs of the charter school market, the applicant conducted research and outreach in designing the Fund. They have an established network of authorizers, state departments of education and charter support organizations. (page e39) Letters of support are included in the application, demonstrating that the services being provided reflect identified needs in the target charter school market. (pages e73-99) Between June and July 2021, Nonprofit Finance Fund surveyed 11 charters operating 66 schools to ensure the Fund products fit their needs. Products

were tailored to meet these specific needs, including access to financing for start-up and early-stage schools, no equity requirements, low interest rates, longer amortization periods, and high LTVs. (pages e39-40) Letters of support from charter schools are included in the application demonstrating their involvement in the design of the project. (pages e51-72)

2) The applicant will provide customized technical assistance to schools including support for planning, including sharing their cost-comparison analysis tool. (page e205) This tool will help charter schools understand capital needs, assessment, and market studies. The assistance includes connecting them to real estate development professionals. (page e20) The technical services provided increase charter schools' access to appropriate financings.

3) The applicant details discussions with stakeholders, including charter authorizers among others who help identify barriers to affordable financing that are acute for start-up and early-stage schools and schools located in economically challenged communities or led by leaders of color. (page e42) These schools are typically viewed as high risk by banks and have little spare capital and often lack extensive fundraising capacity. This model assists charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.

**Weaknesses:**

No weaknesses 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 applicant has been financing charter schools for almost 20 years deploying [REDACTED] of debt and New Markets Tax Credits to 100 charter schools since 2002. Charter schools currently make up 38% of their loan portfolio. Most recently, in addition to an award in 2018, they have received and deployed [REDACTED] of Community Development Financial Institution Fund-sourced credit enhancements. This demonstrates the applicant's strong track record in carrying out activities proposed in the application.
- 2) Nonprofit Finance Fund has a strong financial track record, and the review of audited statements show no significant deficiencies or material weaknesses cited. (pages e107-201) They are in compliance with all applicable rules, regulations, and covenants.
- 3) The applicant uses a tiered Loan Risk Rating System to facilitate assessment of individual transaction risk and cumulative portfolio risk. Their average historical write-off rate is 2.02% of total cumulative lending and <1% 90 plus days portfolio delinquency demonstrates the success of the system. (page e47) The application includes loan underwriting, monitoring, and financial management policies and procedures providing guidance on issues related to charter schools. (pages e107-115) This demonstrates effective risk management by the applicant in pertinent core areas of the project.
- 4) Nonprofit Finance Fund has provided advice to various educational institutions for 40 years. The Director of the Charter School Program was the co-founder of a charter school in Washington, D.C. and the Vice President of Lending was a founding and decade-serving board member of a charter school in Brooklyn, NY. This along with their demonstrated track record has them consulted by other educational institutions. (pages e36-37) This experience demonstrates expertise in education needed to effectively evaluate charter schools for success in the program.
- 5) The applicant's Board of Directors adopted an organization wide Conflict of Interest and Disclosure Policy which applies to all members of the board, board subcommittees, loan committee, and employees. (pages e260-266) The policy is to ensure that the public trust is upheld, and that they operate in accordance with the charitable mission.
- 8) The applicant has received and successfully deployed [REDACTED] in Credit Enhancement grants across two awards through its partnership with BlueHub. The application details that, as of July 2021, the 2018 Award has provided [REDACTED] in credit enhancement for 27 schools, leveraging [REDACTED]. The applicant and BlueHub have a pipeline of [REDACTED] in credit enhancement needs with only [REDACTED] credit enhancement capacity. (page e50) This demonstrates their effective performance in implementing grant awards.

**Weaknesses:**

- 1) The applicant has previously deployed two Credit Enhancement grant awards in 2015 and 2018 through a Consortium with BlueHub Capital. They have no experience managing this type of award without the consortium. It is difficult to determine if the applicant would have a pipeline without the consortium.

**Reader's Score:** 33

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

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

**Strengths:**

- 1) The project manager manages lending, including business development and underwriting with 20 years of experience in education and community finance. This position and other staff have a strong depth of experience and knowledge in varying positions, which is critical to the success of the project. (page e51)
- 2) The current staffing capacity for 14 employees includes six focused on business development and six focused on underwriting. The organization has an underwriting process to vet projects and meet school timelines for financing and

project completion. Additional positions include portfolio monitoring, grant reporting, and data collection that will support the grant project. (page e52)

**Weaknesses:**

2) The lending team has three new positions that have yet to be filled. Given the size and scope of the project, these are critical roles and experience needed for the effective management.

**Reader's Score: 14**

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Status: Submitted

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## Technical Review Coversheet

Applicant: Nonprofit Finance Fund (S354A210003)

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	11
<b>Capacity</b>		
1. Capacity	35	31
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	15
<b>Sub Total</b>	100	88
<b>Total</b>	100	88

# Technical Review Form

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

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

Applicant: Nonprofit Finance Fund (S354A210003)

## 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. Because many of the charter schools targeted by the applicant would not qualify for traditional financing due to their newness or lack of collateral, the proposed program will be able to provide financing for a variety of products at rates below what could be achieved within the loan market. The applicant is willing to offer uncommon products such as lease guarantees and financing to early-stage and start-up schools with credit enhancements offered without any fees. (Pg. e16 - e17)
2. Overall goals are well defined and include specific objectives outlining how the applicant will measure the goal. As an example, providing affordable capital is defined by providing the interest rate that will be charged as compared to conventional loans and terms such as providing up to 100% financing for a project. These goals relate well to the overall purpose of the grant project, which is providing affordable financing to communities where a majority of individuals are people of color or the population is underserved. (Pgs. e19-21)
3. Through collaborations with other charter organizations in both Alabama and Texas, the applicant will identify specific financing needs and work to bring these needs to fruition within this project. These products could include predevelopment loans that include interest only loans with no equity required for start-up and early-stage charter schools. (Pg. e22)
4. A strategy developed in 2015 is being utilized to assist new and early-start charter schools within this grant project. This strategy has been used in the growing markets of Memphis and Nashville with a high degree of success to date. Building on the offering of flexible financing products in 2015 and 2018, the applicant will continue this process within the new grant. (Pg. e30-e31)
5. The criteria utilized to identify and screen charter schools for inclusion in this grant project include well thought out

qualities that will lead to a successful charter school. These same criteria will be used when evaluating a start-up charter school with a special emphasis on the abilities and experiences of the leadership team and the Board of Directors. (Pg. e32 - e35)

6. The grant project will offer financial assistance to start-up and early-start charter schools. Because of a lack of academic and organizational history or collateral to secure a loan, these schools are unable to obtain conventional loan products or are forced into unfavorable lending conditions. The applicant will use the credit enhancement tool to assist these new charter schools in securing a facility or planning for that facility. (Pgs. e35-e36)

7. The regional areas targeted by the applicant include 9 states with strong charter school laws represented by the inclusion of multiple criteria consistent with Section 4304(g)(2) of ESEA – amended by ESSA. All nine states are ranked in the top half of states with strong charter school law as reported by either the Center for Education Reform (CER) or National Association of Public Charter Schools (NAPCS). Three relatively new states to be included in this grant proposal are Texas, Alabama, and Washington state, which are all rated in the in the top ten with strong charter school laws. (Pg. e37-e38)

8. The proposed grant project will utilize [REDACTED] to leverage [REDACTED] in financing for up to 30 charter schools assisting them with a variety of facility options. These include pre-development costs to lease guarantees. Any costs above the allowable 2.5% will be absorbed by the applicant. Because many of these geographical areas include underrepresented populations, the grant project is reasonable for the number of students that will be afforded an opportunity for a choice education. (Pg. e38-e39)

**Weaknesses:**

2. While overall goals are well defined, some of the objectives do not have a measurable outcome in which to judge success. An example is Goal 4, objective one relative to providing customized technical assistance. A method in which to judge whether or not this goal is met is not included in the narrative. No outcome is mentioned. (Pg. e20)

3. While the narrative describes and even names financial institutions that will work with the grant applicant to provide needed capital to meet the identified needs of charter schools, there do not appear to be any new lenders in this list. There is no evidence provided to indicate these lenders will participate in the financing of new and early start charter schools. (Pgs. 35-37)

**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. Through a survey of 11 charter operators that collectively operate 66 charter schools completed in summer 2021, the applicant discovered the basic needs of charter schools with regard to obtaining financing and has tailored their offerings to meet those needs. Additionally, the applicant interfaces with agencies and individuals within the charter sector to ensure their loan products are in sync with market demands. (Pgs. e39-e40)
2. Letters of support are provided by many charter schools, banks and charter support organizations and lending partners applauding the applicant for providing affordable debt, along with underwriting guidelines that are favorable to new and early-stage charter schools. Entities are those that the applicant interfaces with and does business with on a regular basis and that have helped inform this and previous grant projects. (Pgs. E40 and e56 - e99)
3. The applicant presents a customized cost-comparison tool allowing charter schools the opportunity to make an informed decision regarding the actual costs of each type of financing that is available. Additional services, including access to professionals that can discuss real estate options in the targeted area, are a benefit for operators ensuring that a right fit is achieved for the needed facilities. Additionally, financing fees are limited to a 1% origination fee and interest rates charged will be at or below the market making allowing charter schools to allocate more funding to educating students. (Pgs e20 and e41)
4. The applicant indicates areas of charter school operations that will be evaluated during the underwriting process. The process is tailored to the longevity of each charter, evaluating specific criteria to either demonstrate good academic performance and organization processes for established charters, or evaluating the strengths of the management team and the board of directors. This will be done to ensure that a new or early-stage charter school has the personnel to create and sustain a financially, operationally, and academically successful school. (Pg. e43)

**Weaknesses:**

1. Outside of the savings within the financing of credit as mentioned on page e41, there is no discussion of other services, such as specific technical assistance through the facility acquisition process, that will be provided through this project. (Pg. e41)
4. Few specifics are provided for what aspects of a charter school make it likely to be a success, indicating a good fit for a financing option between the grantee and the charter school. Aspects regarding the strength of the management team and the board of directors, and well-defined financial and academic processes, should have been included in this section.

**Reader's Score:** 11

**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 40 years of experience financing projects that are not supported by traditional measures. Processes and procedures are in place for underwriting, monitoring, and closing loans. Charter school financing experiences began in 2015 when the applicant was awarded a Credit Enhancement grant. Through these grants, the applicant has been able to offer a variety of finance options from providing subordinate debt to lease guarantees. Throughout the applicant's 40 year history, they have been able to provide [REDACTED] in financing to over 780 nonprofit organizations. (Pg. e43-e44)
2. The applicant is financially stable with net assets amounting to over [REDACTED]. A variety of revenue streams help provide this stability. (Pg. e45)
3. Specific written guidelines for financing activities are in place and are reviewed and edited annually as needed. All recipients of credit enhancement undergo a comprehensive application process in which many supporting materials are requested from the charter schools for review of the organization and management/financial/academic processes. Portfolio monitoring processes are in place to ensure loans that are in trouble are monitored much more frequently so that workarounds can be provided to an entity if needed. Additionally, financial management practices are in place to ensure safe handling of funds. (Pgs. e47-e48)
4. Key players in the educational grant team have significant experiences both within charter schools and with the applicant as well. Both the Director of the Charter School Program and the Vice President of Lending have founded charter schools and worked for several years in operation of their respective charter schools. (Pg. e49)
5. A well-defined Conflict of Interest Policy is provided that outlines the circumstances under which a conflict should be disclosed as well as procedures that will be followed upon the identification of a conflict of interest. This policy will enable to applicant to deal with a perceived or actual conflict in an organized, fair manner. All staff members and Board members are trained regarding this policy. (Pg. e50 and e261-e263)
8. The applicant demonstrates capacity via two previous grants amounting to [REDACTED]. Also, the applicant has assisted 27 charter schools and leveraged [REDACTED] as part of a grant received in 2018. (Pg. e50)

#### **Weaknesses:**

4. The applicant indicates that new and early-start charter schools are a focus for this grant project as indicated on pages e16 – e17. However, there is no evidence of processes that will be used to evaluate these types of charter schools for eligibility of financing. Many of these charter schools will not have audits, academic performance data or organizational history on which to be evaluated. The criteria that will be utilized to evaluate these charter schools should have been included in the narrative.

Reader's Score: 31

### 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 project manager has 20 years of experience in educational and community financing. Throughout her career, she has held positions that will assist her in managing this grant project. The individual responsible for underwriting, portfolio management, and grant reporting has worked for the applicant for 27 years and has been instrumental in the growth of the charter school portfolio. (Pgs. E51)

2. An organizational chart outlines the roles as identified in the application and lists the individuals assigned to each role ensuring no steps will be missed within the charter school application process . Appendix G (Pg. e201)

#### Weaknesses:

No weaknesses noted.

Reader's Score: 15

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