

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

Status: Submitted

Last Updated: 08/11/2023 02:55 PM

Technical Review Coversheet

Applicant: Pacific Charter School Development Inc. (S354A230014)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Quality of Project Design and Significance		
Quality of Project Design and Significance		
1. Design and Significance	35	35
Sub Total	35	35
Selection Criteria		
Quality of Project Services		
1. Project Services	15	13
Sub Total	15	13
Capacity		
Capacity		
1. Capacity	35	32
Sub Total	35	32
Selection Criteria		
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	15	15
Total	100	95

Technical Review Form

Panel #2 - CE Panel - 2: 84.354A

Reader #1: *****

Applicant: Pacific Charter School Development Inc. (S354A230014)

Questions

Quality of Project Design and Significance - Quality of Project Design and Significance

1. Quality of project design and significance (35 points). 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. Pacific Charter School Development (PCSD) is requesting a [REDACTED] grant to fund a [REDACTED] facility fund loss reserve and a [REDACTED] debt service reserve. They will leverage the grant with [REDACTED] of philanthropic capital to raise an additional [REDACTED] in commercial bank debt and capitalize a [REDACTED] Pacific Charter Facilities Fund (PCFF) for investment in early-stage, expanding, and/or replicating charter schools. PCSD provides flexible, below market debt on flexible terms to reduce the amount of market debt needed for projects. They are able to accomplish this because they accept a lower rate of return on their invested capital [REDACTED] which is significantly less than other developers charge [REDACTED]. They also provide flexible, below market debt on flexible terms to charter schools for predevelopment, acquisition, and/or construction costs. PCSD is able to leverage decades of staff experience in allowing them to mitigate the default risk through proven expertise in site evaluation, project risks and methodologies to lessen financial exposure. PCSD's interest rates are generally [REDACTED] basis points lower than what charter schools can access in the commercial debt market.

2. Project goals, objectives and timelines are SMART (specific, measurable, achievable, relevant, time bound) (E23-24). The applicant plans to capitalize the PCFF to provide favorable/affordable debt or equity financing for 10 early-stage or expanding charter schools during the first 5 years of the grant and to leverage grant funds to create permanent facilities for schools serving historically, under-resourced communities. These goals are reasonable considering the grant

funds requested, as well as the program goals and objectives of the Credit Enhancement program.

3. It should be noted that the applicant, PCSD, has a strong history of executing program services similar to those proposed in the grant application on its own and in tandem with their philanthropic supporters. They have created over 110 school facilities serving over 46,000 students in California, Texas, Massachusetts and Washington. Over 75 percent of the students in their schools come from socioeconomically disadvantaged families and over 90 % of the schools have outperformed their local school district. They have active partnerships within the philanthropic communities in their markets, raising a pool of over [REDACTED] in equity to provide project management services and investment capital. They also have strong relationships with peer organizations that provide thought leadership and pipeline coordination for charter clients seeking facility financing and project management services. In short, they have achieved and are likely to continue to achieve, if not exceed, measurable objectives that further the purposes of the program.

4. PCSD has a proven financing model which readily lends itself to replication in multiple markets. They typically place capital into facility projects for a 3-6 year term. Once a school refinances their investment, PCSD recycles the funds to make new investments in additional schools. To date, PCSD has invested over [REDACTED] in 84 school facility projects with 58 schools completing a refinancing, thereby allowing PCSD to recycle and redeploy [REDACTED] in additional projects. (E28-29)

5. PCSD reviews certain objective criteria to determine if a charter school is an appropriate partner for investment. (Appendix F, page 2) Once the school meets the screening criteria, they are assessed for investment based upon a review of underwriting criteria, including three years of audited financial statements, 5-year operating projections, history of achieving enrollment targets, demographic data, and an active charter designation. Due diligence findings are reviewed by the Credit Committee and if found favorable, presented to the Board of Directors for approval.

6. PCSD will leverage [REDACTED] of the grant funds as a loan loss reserve, along with [REDACTED] of philanthropic equity to raise an additional [REDACTED] of commercial debt to capitalize the [REDACTED] PCFF. Here, the leverage factor is [REDACTED]. The remaining [REDACTED] of the grant will be used as a debt service reserve, leveraging [REDACTED] (senior debt divided by provided reserve). The leverage functions as a risk offset, allowing the applicant to offer below market capital, notwithstanding the perceived higher risk and the lack of cash flow/ reserves required for traditional commercial market underwriting.

7. According to the National Alliance for Public Charter Schools (NAPCS) report, California is strong state charter law jurisdiction, with the statutory and regulatory environment supporting high-quality public charter schools. For 2023, California and Texas both scored 154 out of a possible 240 points(tied for 22nd nationally), while Washington state scored 173/240(6th nationally).

8. A review of Appendix D-Pipeline contains a deal-specific spreadsheet that analyzes the objective screening criteria required for each transaction to move forward, as well as an estimate of what debt/equity, 3rd party financing, and debt service requirements are required to move the transactions toward closure. The debt service reserve project amounts are reasonable based upon a [REDACTED] percent 25-year amortization.

Weaknesses:

No weaknesses noted.

Reader's Score: 35

Selection Criteria - Quality of Project Services

1. Quality of project services (15 points). 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. PCSD is a non-profit, full-service real estate development firm that has worked side by side with charter school partners to provide a working facility finance solution that is financially sustainable by the school. The identified need is for a financing program that provides an ongoing source of commercial debt at reduced rates and terms for development of new charter school facilities, as well as a debt service reserve that will incentivize lenders to provide early -stage charter school financing with terms the schools can sustain. The proposed use of Credit Enhancement funds meets this identified need. (E19-20)

2. PCSD has been actively engaged with multiple stakeholders in the charter school space in the design and development of this application. In their 24-year history philanthropic partners, charter school support organizations, and charter management organizations have all collaborated with the applicant on how to best utilize the Credit Enhancement funds. PCSD has completed 14 permanent facilities throughout the states of Washington, Texas, and California, that struggled with financing permanent facilities for growing charter school networks. (E24-25)

3. The technical assistance, development, and project management services are provided for no additional fees. The preliminary site assessment and feasibility studies which include initial budgeting and scheduling, affordability, and risk analysis, are all performed for the client at no cost. PCSD further utilizes a flat fee structure once a project is confirmed that is based on a defined scope of work, rather than on a percentage of the budget. With an average project size of [REDACTED], PCSD fees are typically less than the [REDACTED] of budget charged by other developers.

4. The underwriting, screening, and due diligence criteria performed by PCSD in their capacity as a real estate expert identifies projects that require a less expensive sources of affordable capital and financing terms than those available with conventional financing. This is evidenced by the fact that the applicant has successfully completed over 110 projects, sourcing over [REDACTED] in financing school development projects and invested over [REDACTED] of its own capital into 84 of these projects, incurring no loan losses. (E44-45)

Weaknesses:

2.The application speaks to the strong relationships PCSD has had with charter support organizations, but little information is provided around other external stakeholder input regarding program design. (E25-27)

Reader's Score: 13

Capacity - Capacity

1. Capacity (35 points). 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. PCSD has almost 20 years of successful experience in project management, lending and investing in charter school facilities. The applicant has successfully completed over 110 projects, sourcing over ██████████ in financing school development projects and invested over ██████████ of its own capital into 84 of these projects, incurring no loan losses. (E44-45)
- 2. A review of the audited financial statements included in the application at Appendix G reveal no findings. The applicant has maintained considerable financial strength with strong liquidity and debt capacity. Liabilities to net assets decreased from 2020 to 2022. They are a fiscally mature and stable real estate development company.
- 3. PCSD's underwriting, risk management, and portfolio monitoring policies give the firm a full spectrum understanding of how to identify, quantify, and assess risk in its charter school facility financing projects. They have a rigorous underwriting and investment approvals (See Appendix F-Financial Management) and have not experienced any loan losses in its 20-year history.
- 4. PCSD is a highly experienced organization with a proven capability to manage financial, project and environmental (regulatory) risk in charter school facility financing projects. They have over 20 years of experience working with 40 different charter school partners and have used this experience to develop a risk evaluative tool to assess new charter school projects across key areas. They also have strong experience working in charter and district schools and are able to bring this educational experience to the task of successfully identifying schools that have a high possibility of success.
- 5. PCSD has a written conflict of interest policy for employees and Board members that is included with the application at Appendix I-Governance. This policy prohibits employees and board members from making or influencing decisions that may result in personal gain for the employee, a relative, or for any individual with whom the employee has a personal relationship outside of the office. (E48-49)
- 6. Not applicable
- 7. Not applicable
- 8. Not applicable

Weaknesses:

3. The application would be strengthened by more detailed information on the applicant's risk management strategies. Little detailed information is provided on due diligence/investment and loan underwriting guidelines. (E45)

Reader's Score: 32

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel (15 points). In determining the quality of project personnel, the Secretary considers—

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

(2) The staffing plan for the grant project.

Strengths:

1. The key project personnel that are responsible for underwriting, sourcing financing, and monitoring grant compliance are on staff, and their resumes are included with the application at Appendix B-Resumes. They are highly qualified based upon their education and professional expertise, and in some cases have been with the applicant for 8.5 years or more.

2. The project staffing plan gives PCSD the benefit of aligning project responsibilities with high- quality, experiential personnel. As previously stated, they are a full-service real estate development firm specializing successfully in charter school facility financing and development. Project directors and the rest of the management team are long-term employees and have contributed successfully to the completion of past projects. They all have considerable experience in nonprofit fiscal management and overseeing federal grant compliance. Resumes are included at Appendix B.

Weaknesses:

No weaknesses noted.

Reader's Score: 15

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Technical Review Coversheet

Applicant: Pacific Charter School Development Inc. (S354A230014)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Quality of Project Design and Significance		
Quality of Project Design and Significance		
1. Design and Significance	35	29
Sub Total	35	29
Selection Criteria		
Quality of Project Services		
1. Project Services	15	12
Sub Total	15	12
Capacity		
Capacity		
1. Capacity	35	33
Sub Total	35	33
Selection Criteria		
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	15	15
Total	100	89

Technical Review Form

Panel #2 - CE Panel - 2: 84.354A

Reader #3: *****

Applicant: Pacific Charter School Development Inc. (S354A230014)

Questions

Quality of Project Design and Significance - Quality of Project Design and Significance

1. Quality of project design and significance (35 points). 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 proposed financial services are well-developed to provide better rates and terms to charters by targeting [REDACTED] percent lower rates than current market and offering flexible terms in capital lending, via equity investments or loans (p. e16).

(1) The applicant's equity model secures acquisition and construction financing to build appropriate facilities that are leased to the charters at the same cost rate of the annual debt, with an additional [REDACTED] percent return that is significantly less than the typical developers charge of [REDACTED] percent (p. e16). This model offers a purchase option without any developer profits and the purchase price is set to the developer cost, with lease payments counting towards debt amortization. In addition to Loan Loss Reserve for attracting lower rate lenders, the applicant will also allocate funds to establish a Debt Service Reserve to be used for closing the equity gaps on facilities projects when higher loan-to-value ratio is needed, due to low appraisal (p. e21). These are all great examples of financing that would provide more advantageous rates and terms to charters.

(2) The project goals and objectives are clearly stated and measurable. All goals include leverage targets, loan

deployment, number of schools to be funded by the end of the program, and specific financing options and school types to measure related objectives (p. e23-24).

(3) The applicant has demonstrated strong partnerships and relationships that are already established in its targeted states. The partnerships are in areas of philanthropy, commercial lending, bond financing, and the charter sector (p. e25-26). These partnerships increase the likelihood of project success, more effectively meeting program goals and objectives, and furthering the purpose of the program.

(5) The applicant has developed an adequate process for Greenlighting and Underwriting for potential investment (p. e30). After getting the greenlight, charter applicants are assessed using several criteria to determine the need and type of assistance, which will aid in effectively matching qualifying charters to the best type of assistance they need.

(6) The applicant plans to use [REDACTED] of the CE funds, allocated as a Loan Loss Reserve to be used as a catalyst to leverage [REDACTED] in private philanthropic equity and commercial debt, while [REDACTED] of the CE award will be used as Debt Service Reserve to leverage [REDACTED] in financing (p. e30-31). By leveraging these public and private funding, the applicant aims to assist different types of charters including early-stage, expanding, and replicating CMOs (p. e31). This is an excellent plan to leverage enough funding to provide facilities assistance to more charters in diverse communities.

(7) The applicant justified its state selections using reputable third-party reports that ranked quality and strength of state charter laws and selected 3 states all in the top half of the ranking list (p. e34). The applicant managed charter facilities projects in the past in all 3 selected states and is familiar with the landscape through its established relationships with charter advocacy organizations (p. e35).

(8) The applicant's long-term analysis of the current pipeline of 60-plus charters in the 3 states it currently operates in, presents a convincing case for reasonable project costs over a 10-year period, that aligns with the project objectives and design (p. e70-71).

Weaknesses:

(1) The credit enhanced Loan Loss Reserve (LLR) is aimed at attracting commercial lenders with more favorable terms and under a [REDACTED] percent capital rate--which is currently at [REDACTED] percent (p. e20). Going through the Issuer Credit Rating process for reducing rates is merely hypothetical, and there is not enough evidence to guarantee below [REDACTED] percent rates with the help of this LLR.

(1) Although the proposed financing model will result in better rates and terms than market conditions, the applicant is hoping to attract senior lenders through its Loan Loss Reserve and Debt Service Reserve, with better rates and terms that are only estimated and not guaranteed on these loans. Therefore, the extent to which better rates and terms would be provided might be limited.

(2) The timeline for accomplishing project goals is not detailed and are only setting an "end of the grant period" due date to accomplish them. There are no annual targets for supporting specific number of schools per year to incrementally benchmark the progress of its ambitious goals (Goal 2-4) (p. e23-24).

(4) It is not clear how the proposed project is replicable by other Community Development Financial Institutions (CDFIs) and lenders, as the provided examples only show replicability by the applicant itself (p. e28-29).

(5) The selection criteria after an applicant passes the initial screening only addresses data from student populations and demographics, as well as and the financial records to determine the charter's fiscal health and stability (p. e30), but does not look at academic outcomes.

Selection Criteria - Quality of Project Services

1. Quality of project services (15 points). 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 project is well-developed in reflecting the identified needs of charters schools in multiple ways. Examples include: (i) The applicant's cost-free expertise and skills to manage large capital projects that charter operators typically cannot take on, (ii) low-cost financing options for early-stage and expanding operators, who typically do not have enough equity to be approved by traditional lenders as they ramp-up enrollment during their initial years, and (iii) offering both loan loss reserve and debt service reserve to charters to attract more lenders and create a competition in the marketplace that results in better rates and terms for charter schools (p. e36-38).

(3) The applicant offers cost-free technical assistance to charters that involves preliminary site assessments and feasibility studies, including initial project budget, timeline, affordability, and risk analysis (p. e40). These are great technical assistance options that would build capacity of charter leaders and operators in taking on and carrying out their capital improvement and facilities projects.

(3) The range of financial services that are described to assist charter schools with their facilities projects, include an array of cost-effective strategies with reasonable fees and lending terms such as lower interest rates on loans, longer terms (as needed), cost-free utilization of debt service reserve, constant lease rates, and favorable purchase options (p. e42-43).

(4) Early-stage charters will benefit from this program, which are generally still not fulfilling their enrollment potential, have not gone through their first renewal with authorizers, and are still slowly building their cash reserves. For all these reasons, they are unable to commit to large capital projects without credit-enhanced loans and are not preferred by conventional lenders (p. e43-44). All of these indicators justify that the project will benefit schools with the greatest demonstrated need.

Weaknesses:

(2) The applicant describes its position as a well-connected community development agency focusing on charter school replication and expansion projects through informed decision making, by leveraging its partners and advocacy groups (p. e39). However, there is not enough evidence how stakeholders contributed to the design of this particular project. Specific examples of how certain partners and/or stakeholders contributed to the project design would have made the proposal stronger for this sub-criterion.

(4) The narrative lacks evidence to demonstrate how the selected charters benefiting from the services, are likely to succeed and how the applicant will ensure and monitor this. A methodology for determining the likelihood of success for selected charters and a plan to support them would have made the proposal stronger for this sub-criterion.

Reader's Score: 12

Capacity - Capacity

1. Capacity (35 points). 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 impressive amount and quality of experience with nearly 20 years in business, funding and managing charter school facilities projects in multiple states--completing 110 projects with over [REDACTED] sourced funding (p. e44).

(2) The applicant demonstrates a strong financial stability with a large asset portfolio of [REDACTED], as documented by its financial audits from the past 3 years, which also highlight increases in net assets in the past two years, while decreasing liabilities during the same period (p. e45). These are great testaments to its financial strength and stability.

(3) The applicant has a sound portfolio, with monitoring performed by all in-house experts, which provides adequate

evidence of effective risk mitigation (p. e46). The applicant also reported a █ percent loan loss ratio in its history. These data and artifacts are strong indicators of the applicant's ability to protect against risk.

(4) The applicant solely worked with nearly 40 different charter operators throughout its existence and has employed seasoned professionals who previously worked in charter sector. The fact that the applicant had virtually no loan loss in 20 years and utilizes a comprehensive risk assessment tool for underwriting education facilities, is a convincing data point that showcases their expertise in education as well as evaluating the likelihood of success for its portfolio members (p. e47).

(5) The applicant demonstrates its ability to prevent conflicts of interest through a board-approved policy that prohibits employees and board members from making or influencing decisions that may result in personal gain for the employee or someone else that they have a personal relationship with (p. e48). These policies and practices put the applicant in a strong position to identify and prevent potential conflicts of interest.

(6) N/A

(7) N/A

(8) N/A

Weaknesses:

(3) The applicant's risk management strategies in its underwriting process are not detailed enough to determine the robustness their methodology. A brief description of their underwriting methodology, specifically pertaining to risk management, would have made the proposal stronger for this section.

Reader's Score: 33

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel (15 points). 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 lists 3 key members of the project team, who all have thorough expertise in school facilities financing as well as strong credentials related to loan underwriting (p. e48-49). The project team collectively sourced more than half a billion dollars to fund 50-plus charter school facilities (p. e49), which is a strong testament to the quality of project personnel.

(2) The staffing plan provides great detail as to which staff members will be responsible for each component of the project. Each key project personnel has clearly defined roles and responsibilities in specific areas of implementation, such as site assessments, relationship building with charter operators and philanthropic leaders, investment monitoring and reporting, sourcing financing options, assessing school performance, and legal assessments (p. e50-51).

Weaknesses:

No weaknesses found.

Reader's Score: 15

Status: Submitted

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Technical Review Coversheet

Applicant: Pacific Charter School Development Inc. (S354A230014)

Reader #4: *****

	Points Possible	Points Scored
Questions		
Quality of Project Design and Significance		
Quality of Project Design and Significance		
1. Design and Significance	35	32
Sub Total	35	32
Selection Criteria		
Quality of Project Services		
1. Project Services	15	14
Sub Total	15	14
Capacity		
Capacity		
1. Capacity	35	32
Sub Total	35	32
Selection Criteria		
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	15	15
Total	100	93

Technical Review Form

Panel #2 - CE Panel - 2: 84.354A

Reader #4: *****

Applicant: Pacific Charter School Development Inc. (S354A230014)

Questions

Quality of Project Design and Significance - Quality of Project Design and Significance

1. Quality of project design and significance (35 points). 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 track record of securing over [REDACTED] in financing for school development and deploying over [REDACTED] in facility projects for 110+ schools indicate their expertise in providing below-market rate financing and favorable terms. The proposal specifies that the applicant offers financing at rates that are [REDACTED] lower than market rates. The applicant is committed to offering flexible terms and does not seek significant returns on its capital, enabling them to make below-market rate investments. Overall, the proposal shows promise in its intent to provide financing support to charter schools at better rates and terms than those available in the market. (e15-e16)
- (2) The proposal outlines four distinct goals, each focusing on different aspects of the project, which provides a comprehensive approach to achieving the desired outcomes. The measurable objectives associated with each goal provide clear benchmarks for success. The goals and objectives align well with the purpose of the program, which aims to enhance credit and financial access for charter schools, particularly those serving under-resourced communities. The proposal sets a timeline that outlines the expected completion of each objective within the first five years of the grant. Goal Four's objective highlights a commitment to promoting equity in education by facilitating financing for schools serving historically under-resourced communities, specifically schools with a significant proportion of African American/Black students. (e23-e24)
- (3) PCSD's history of executing projects and sourcing over [REDACTED] in financing for school development indicates its

capability to successfully implement the proposed project. PCSD has well-established partnerships with national and regional foundations, sector organizations, CDFIs, and bond underwriters. These partnerships provide access to diverse funding sources and resources, enhancing the likelihood of achieving measurable objectives. PCSD's approach to providing below-market rate financing and leveraging credit enhancement to improve credit for early-stage operators aligns with the program's purpose of increasing financing access for charter schools. The case study of PCSD's collaboration with Charter School Growth Fund to support Impact Public Schools demonstrates a successful partnership that enabled long-term permanent financing for an early-stage CMO. This illustrates PCSD's ability to bring together various partners to structure advantageous financing solutions. The proposed implementation plan and partnerships are aligned with the project's goals and objectives, focusing on expanding financing access, supporting early-stage schools, and creating facilities for historically under-resourced communities. (e24-e28)

(4) PCSD has a proven track record of replicating its financing model to different regions successfully. The expansion to Washington, the Bay Area, and most recently to Houston, Texas, demonstrates the model's adaptability and scalability. PCSD's approach to recycling funds from completed projects and reinvesting them into new investments allows for continuous support to multiple schools. This sustainable funding cycle enhances the replicability of the model. The proposal's focus on meeting the growing demand for facilities and serving early-stage and expanding schools highlights PCSD's commitment to broadening its impact and reaching underserved communities in various regions. The interest and support from influential education philanthropies, such as the Bill & Melinda Gates Foundation, demonstrate confidence in PCSD's model and its potential for success in different regions. The successful launch and quick implementation in Houston indicate the model's adaptability to new markets and its potential to address urgent facility needs in different locations. (e28-e29).

(5) The proposal clearly identifies three distinct types of charter school operators that will benefit from the assistance - early-stage, expanding, and replicating CMOs. By targeting these specific groups, the project can address the unique challenges faced by each category. The project aims to help early-stage and expanding operators maintain financial sustainability while growing towards stabilization. (e30-e32)

(6) The proposal highlights PCSD's successful history of securing private philanthropic equity from national and regional foundations. By leveraging these existing relationships with philanthropic partners, PCSD can potentially access additional funding to support charter school facilities. The proposal indicates that Credit Enhancement will enhance the underlying credit for early-stage and expanding operators, making them more attractive to lenders. The proposed Debt Service Reserve can incentivize lenders to provide financing for charter schools, particularly for early-stage schools with terms they can afford. Overall, the proposed activities demonstrate a strategic approach to leverage private and public sector funding effectively. (e28-e29)

(7) PCSD conducts a market analysis of potential geographies and assesses the overall political environment for charter schools. PCSD uses the National Alliance for Public Charter Schools' (NAPCS) annual "Measuring Up to the Model" report to evaluate and rank states' charter school laws. PCSD also assesses the surrounding ecosystem of support that may impact the operating environment for charter school partners. Overall, the proposal demonstrates PCSD's intention to strategically choose states with supportive charter school laws and a favorable ecosystem of support. (e34-e35)

(8) Based on the budget narrative provided, the requested grant amount of [REDACTED] and the associated project costs appear reasonable in relation to the objectives, design, and potential significance of the project. The program design accounts for the specific financing needs of early-stage, expanding, and replicating charter schools, considering factors such as loan loss reserves and debt service reserves to facilitate financing. The loan loss reserve is estimated at [REDACTED], which, along with PCSD's equity in PCFF, helps achieve a targeted interest rate of no more than [REDACTED]. The proposal indicates that all awarded grant funds, including the [REDACTED] Debt Service Reserve, will be used for enhancement purposes to support credit-enhanced low-cost facility leases and loans for charter schools. The sizing for the [REDACTED] Debt Service Reserve is based on a thorough analysis of the pipeline in Appendix C, considering the number of schools for whom debt service reserves will likely be required or beneficial for financing facilitation. The budget appears to focus primarily on delivering program services efficiently. The budget narrative includes details about fees associated with the issuance of commercial debt for PCFF, which will be charged to the grant as an eligible expense. It is projected that the cash balance of the Credit Enhancement reserve will exceed the original [REDACTED] in grant funds by the end of 2025, indicating a well-managed financial plan. (e35, e403-e407)

Weaknesses:

- (1) The proposal could provide more explicit and quantitative comparisons between the financing options offered by PCSD through PCFF and the prevailing market rates for charter schools. This would strengthen the case for how PCSD's model provides better rates and terms. (e15-e16)
- (2) No weaknesses noted.
- (3) No weaknesses noted.
- (4) No weaknesses noted.
- (5) The proposal could provide more specific details about the criteria used to select charter schools for assistance. Clear and transparent selection criteria will demonstrate the fairness and effectiveness of the project's approach. Considering the proposal's expansion plans to different regions, it could consider tailoring selection criteria to address the unique challenges faced by schools in each region. Regional-specific criteria could enhance the relevance and impact of the assistance provided. The proposal could emphasize the importance of collaboration with education leaders and local stakeholders in the selection process. Involving regional experts and leaders can provide valuable insights into the needs and priorities of schools in specific areas. (e30-e32)
- (6) No weaknesses noted.
- (7) No weaknesses noted.
- (8) No weaknesses noted.

Reader's Score: 32

Selection Criteria - Quality of Project Services

1. Quality of project services (15 points). 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 school operators often face challenges in managing both new development projects and the maintenance of existing facilities with limited resources. PCSD's in-house expertise allows operators to focus on their core mission of providing quality education to students while relying on PCSD for specialized real estate development knowledge. Additionally, PCSD's ability to adapt to different state charter laws, building codes, and local regulations provides valuable flexibility to meet specific needs in various regions. The proposal highlights that many early-stage and expanding charter operators struggle to secure financing for their facility projects. PCSD addresses this need by offering below-market capital, reducing the fundraising burden on operators and making facilities more financially sustainable. By providing access to affordable capital, PCSD enables charter schools to build and expand their facilities more effectively, freeing up additional resources to invest in educational programs and services. The services to be provided by the project, as described in the proposal, appear to closely align with the identified needs of the charter schools to be served. (e35-e36)
- (2) The founding of PCSD was backed by philanthropic support from stakeholders actively invested in supporting

charter schools. PCSD's successful partnerships with prominent CMOs such as Aspire Public Schools, Green Dot California, Alliance College-Ready Public Schools, KIPP SoCal, and Inner City Education Foundation (ICEF) demonstrate its ability to provide real estate development expertise and financing support. The proposal highlights PCSD's long-standing relationships with charter school support organizations like the California Charter Schools Association (CCSA) and the Washington State Charter Schools Association (WA Charters). The proposal showcases several strengths, including strong involvement and support from charter schools and stakeholders, successful partnerships with CMOs, and engagement with charter school support organizations. (e38-e39)

(3) The applicant's plan for technical assistance allows charter schools to access valuable expertise without incurring upfront expenses, making it a cost-effective strategy for increasing access to facilities financing. By offering preliminary site assessments and feasibility studies without requiring schools to sign agreements or pay fees, PCSD prioritizes schools' financial well-being. PCSD's provision of financing support as part of its development and project management services at no additional cost adds value to the assistance it provides. (e40-e41)

(4) The proposal demonstrates a clear focus on assisting early-stage and expanding charter schools, which are likely to face significant challenges in securing financing for their facility needs. By providing below-market capital and favorable lending terms, PCSD aims to support schools during their growth phase, increasing their likelihood of success. PCSD's comprehensive approach to development, combining real estate expertise with financing support, is a strength of the proposed grant project. (e32-e33)

Weaknesses:

(1) No weaknesses noted.

(2) While the proposal highlights support for the project through partnerships and professional associations, it lacks clarity on the specific extent to which charter schools and chartering agencies were actively involved in the design of the project. (e38-e39)

(3) No weaknesses noted.

(4) No weaknesses noted.

Reader's Score: 14

Capacity - Capacity

1. Capacity (35 points). 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 proposal highlights PCSD's significant experience of almost 20 years in project management, lending, and investing in charter school facilities. The resume of key leaders demonstrates a track record of successful project completion, sourcing financing, and managing complex financial transactions. PCSD's team possesses a diverse skill set, including expertise in real estate development, project management, financial modeling, negotiating loan terms, and managing financing schedules. The proposal mentions PCSD's strong relationships with both local and national lenders, which could be advantageous in securing favorable lending terms and competitive rates for charter schools. (e44-e45, e55-e66)

(2) The proposal highlights PCSD's financial stability, showing increases in net assets and current ratio from 2020 to 2022. This indicates that PCSD has a strong financial position and is capable of managing its resources effectively. (e45) The organization demonstrates a diversified revenue stream, including contributions and foundation grants, development fees, rental income, management and consulting fees, interest income, and investment gains. Despite certain donor restrictions and losses in specific areas, the organization achieved a positive change in net assets of ██████████ during the year. (e243-e245)

(3) PCSD demonstrates a robust underwriting process for evaluating potential investments and loans. PCSD's in-house expertise in real estate development and finance provides a competitive advantage in understanding and mitigating potential risks. The combination of Project Management and Finance Teams allows for comprehensive risk assessments and informed decision-making. The fact that PCSD has not experienced any loan losses in its 20-year history indicates prudent financial management and effective risk mitigation strategies. This track record demonstrates the organization's ability to protect against unwarranted risk and manage its loan portfolio effectively. (e45-e46)

(4) PCSD boasts nearly 20 years of experience working with a diverse range of charter school partners across multiple states. PCSD's risk assessment, evaluating charter school projects across six key areas, demonstrates the organization's expertise in assessing the likelihood of success for new charter schools. PCSD's staff members have long tenures and years of experience working in various educational settings, including charter and district schools. Overall, PCSD demonstrates strong expertise in evaluating the likelihood of success for charter schools through its extensive experience, comprehensive risk assessment approach, knowledgeable staff, and history of no loan losses. (e47-e48)

(5) PCSD demonstrates its commitment to preventing conflicts of interest by having an established conflict-of-interest policy in place. This policy sets clear guidelines and expectations for employees and board members to avoid situations that could lead to personal gain or bias in decision-making. (e48)

(6) N/A

(7) N/A

(8) N/A

Weaknesses:

(1) No weaknesses noted.

(2) No weaknesses noted.

(3) The proposal could benefit from providing more detailed information on the specific risk mitigation strategies employed by the organization to further bolster its case for financial management effectiveness. (e45-e46)

(4) No weaknesses noted.

(5) No weaknesses noted.

- (6) N/A
- (7) N/A
- (8) N/A

Reader's Score: 32

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel (15 points). 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 CEO and CFO will serve as co-Project Directors and provide strong leadership for the grant project. The CEO's extensive experience in developing charter school facilities and CFO's background in nonprofit fiscal management complement each other, ensuring effective oversight of the project. Each team member has a clearly defined role that aligns with their expertise. This specialization allows for focused attention on specific aspects of the project, enhancing efficiency and effectiveness.

(2) PCSD's staffing plan showcases a diverse team with extensive experience and expertise in various relevant fields, including non-profit management, real estate development, commercial lending, and K-12 education. This breadth of experience allows the organization to tackle different aspects of the grant project effectively. The fact that key team members have been with PCSD for over 5 years, with an average tenure of 8.5 years, indicates stability and continuity within the organization. (e49-e51)

Weaknesses:

(1) No weaknesses noted.

(2) No weaknesses noted.

Reader's Score: 15

Status: Submitted

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