

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

Status: Submitted

Last Updated: 04/15/2014 12:23 PM

## Technical Review Coversheet

**Applicant:** Boston Community Loan Fund, Inc. (U354A140005)

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

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design</b>		
1. Project design	35	29
<b>Quality of Project Services</b>		
1. Project services	15	11
<b>Adequacy of Resources</b>		
1. Capacity	35	33
<b>Quality of Project Personnel</b>		
1. Project personnel	15	11
<b>Sub Total</b>	100	84
<b>Priority Questions</b>		
<b>Competitive Preference Priorities</b>		
<b>Competitive Preference Priorities</b>		
1. CPP 1	15	12
<b>Sub Total</b>	15	12
<b>Total</b>	115	96

# Technical Review Form

Panel #1 - 2014 CESCO - 1: 84.354A

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

Applicant: Boston Community Loan Fund, Inc. (U354A140005)

## Questions

### Selection Criteria - Quality of Project Design

**Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers--**

**a) 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;**

**b) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;**

**c) 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;**

**d) The extent to which the project is likely to produce results that are replicable;**

**e) 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;**

**f) 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;**

**g) 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 5202(e)(3) of the Elementary and Secondary Education Act of 1965;**

**h) 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; and**

**i) The extent to which the proposed project is supported by strong theory (as defined in 34 CFR 77.1(c)).**

### Strengths:

According to the narrative, the applicant will provide flexible financing to charter schools that include loan rates and terms that are better than market availability. Goal #4 specifically addresses the cost of borrowing and the loan terms associated with each transaction. Pgs. e14 – e15 , e17 – e18

The goals and objectives outlined are specific and measurable. The chart on page e20 provides a snapshot of finance deals that will occur in each year of the grant cycle. These goals are aligned to the purpose of the Credit Enhancement Program. Pgs. e16 – e18

Program evaluations throughout the grant cycle will enable the applicant to fine tune the processes used to determine viability of charter schools and the process used to determine and then provide the type of financing needed by each charter school applicant. This information will be shared with other entities hoping to bring more into the charter school financing landscape. Pgs. e34

The consortium presented consists of two CDFI's that when combined have a presence in geographic areas that contain 38% of the nation's charter schools. The members have been successfully lending to charter schools for over 10 years, providing debt coverage and NMTC to 145 charter schools. Pgs. e14 – e15

Through strict underwriting processes as defined in the Appendix and a third party organizational and academic assessment, the applicant will design a finance package that meets the needs of each specific charter school depending on their stage of development and their ability to repay debt. Pgs. e14 – e15

The grant proposal will leverage Credit Enhancement funds and funds provided by the applicant to service charter schools in the existing pipeline. The applicant will leverage the funds at a 9:1 ratio for the term of the grant. Additionally, the narrative indicates the proposal will seek to promote the financing of early start charter schools which are among the most difficult to approve due to the lack of financial history. Pgs. e30 – e31

Based on information provided by the Center for Education Reform, the applicant has determined that of the 13 states that are targeted for assistance through this proposal, 4 are ranked in the top 10 relative to the strength of the charter laws and over half the states in the targeted area are ranked in the upper half of states with strong charter laws. Pg. e33

The requested amount in this grant proposal is reasonable considering 25 charter schools will be assisted in the next 5 years. Project costs are appropriate with the guarantee fee at 1% and no administrative costs charged to the grant, rather they are being absorbed by each entity. Pg. e35

The logic model presented in Appendix B and discussed in the narrative includes products that can be utilized in a variety of lending situations. The model presented includes inputs, outputs and short, medium and long term outcomes with activities for each phase of the project that will promote positive outcomes in the end. The processes involved in underwriting early start charter schools will be refined and shared with other lenders in the hope of enticing new lenders to the table. Pg. e15

**Weaknesses:**

While the narrative states the applicant will leverage funds to assist 25 charter schools over the course of the grant project, the applicant does not disclose the source of the leveraged funds.

Rates and terms are provided for some of the products. In order to determine if the rates/terms are better than market average, the rates and terms should be identified for each product mentioned in the grant proposal.

A specific timeline that designates tasks to be performed related to the grant project, should have been provided.

While the narrative indicates the applicant will finance early start charter schools, the lending guidelines set forth in the policies and procedures state that three years of financial data be secured during the loan underwriting. This is not possible for early start charter schools. It would be beneficial if each entity would include language in their specific lending policies/guidelines indicating that some of these items may not be available when underwriting early start charter schools.

It is understood that the applicant has a presence in 13 states and will continue to do business in those states. The narrative should have addressed the issue of whether or not the applicant will attempt to expand their work to other states that have strong charter laws.

The applicant provides a list of charter schools and other entities that provided a letter of support for this project, but the letters are not included in the appendix.

It is not clear where the private sector funding that will help achieve the promised leverage ratio will come from.

## Selection Criteria - Quality of Project Services

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

- a) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;
- b) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;
- c) 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
- d) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.

#### Strengths:

The applicant presents survey results from 49 charter schools indicating 51% of the charter schools have a need for additional space and 73% are expecting to begin a new facility project in the near future. Also included in the results is the fact that 28 of the 49 charter schools have had difficulty securing facility financing. Pg. e35

The narrative indicates the program has been discussed with state authorizers and charter school development consultants. These discussions helped the applicant to further refine certain aspects of the lease guaranty and leasehold improvement loan products. Pg. e37

The consortium will provide charter schools with organizational reviews at no cost. These reviews help each charter school focus on the structures within their organization that may need improvement in order for the charter school to achieve good academic and financial results. This feedback is done early in the process in hopes to guide charter schools into making good decisions that will make their organization more marketable, with the ability for better rates and terms. Pg. e35

Through the use of the Credit Enhancement grant, the applicant will be able to offer charter schools below market interest rates with a fixed rate and term. Debt service ratios will also be more flexible and the applicant will accept non-conventional collateral. Pgs. e38 & e17

The applicant intends to offer a financial product that will meet the needs of early start charter schools that typically have no equity and have difficulty obtaining financing. Through lease guaranty and leasehold improvement loans, early start charter schools will be able to retrofit facilities to meet their needs with flexible financing that does not take away from meeting the day to day obligations of operating a charter school. Pg. e25

#### Weaknesses:

It is difficult to determine if the survey results are indicative of the true charter market without knowing how many charter schools were surveyed not just how many surveys were returned.

The narrative indicates that letters of support from charter schools and support organizations are included; however, they are not in the Appendix. There is also no indication that charter schools were involved in the design of this project.

There is not enough specificity concerning charter schools with greatest need outside of the discussion about early-start charter schools.

There is no discussion of meeting the needs of charter schools with the likelihood of success.

Reader's Score: 11

### Selection Criteria - Adequacy of Resources

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

a) 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;

b) The applicant's financial stability;

c) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;

d) The applicant's expertise in education to evaluate the likelihood of success of a charter school;

e) 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;

f) 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;

g) 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

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

#### Strengths:

Each member of the consortium brings many years of experience of financing charter schools as well as other community development projects. Collectively, the entities have provided over \$150 million in financing to charter schools and both have utilized NMTC as part of the financing options. Pgs. e39 – e41

Both entities within the consortium are financially healthy as evidenced by financial statements, audit results, and CARS ratings. Each has a balanced portfolio that is reviewed quarterly and adjusted as needed. Pgs. e42 – e44

The applicant presents evidence of good risk management policies through the lending guidelines and underwriting policies provided in the Appendix. Through the use of a comprehensive application, each entity collects data from a prospective charter school that helps determine financial viability. Once approved for financing, each charter school loan is actively monitored based on the credit worthiness of the charter school. Safeguards are in place to protect each entity through portfolio diversification. Appendix

The applicant has extensive experience financing 145 charter schools with a variety of products and services. Relationships have been established with charter authorizers and statewide associations that will expand the knowledge

base of the applicant relative to charter school operators. Pgs. e38 – e49

The consortium and each entity individually has presented a conflict of interest statement for board members and employees alike that outlines the process to follow if a conflict arises. Appendix

The applicant is a consortium of two members. There is a very detailed agreement outlining duties of the grant proposal with responsible parties stated. Additionally, the agreement has protections in place if one entity needs to opt out of a specific financing deal. Pg. e527

**Weaknesses:**

Each entity has board members with significant financial experience, but neither board has members with educational experience.

**Reader's Score: 33**

**Selection Criteria - Quality of Project Personnel**

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

**a) 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**

**b) The staffing plan for the grant project.**

**Strengths:**

The staff members included in the project have many years of finance experience, most of their professional time being spent with their present employers. Each entity has staff members that are experienced with charter school finance options. Pgs. e51 – e53

Staff members from each entity are identified along with their area of expertise relative to the grant proposal. Although there is not a project manager named, each entity will have responsibility over financial deals within their geographic area. An organizational chart is presented for the consortium identifying these areas of responsibility. The application names an individual who will have reporting and data collection responsibilities for the consortium relative to this grant proposal. Pgs. e51 – e53 and Appendix (Resumes)

**Weaknesses:**

Specific information should be provided about consultants that will be used in this project. This information should include the qualifications of the consultant group and the members that will work directly with the charter schools.

There is no presence of individuals that have educational experience in either the staff or the Board of Directors that can lend specific educational input into this project.

**Reader's Score: 11**

**Priority Questions**

## Competitive Preference Priorities - Competitive Preference Priorities

1. This priority is the capacity of charter schools to offer public school choice in those communities with the greatest need for school choice based on--

a) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended.

b) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and

c) The extent to which the applicant would target services to communities with large proportions of students from low-income families.

**Note:** In order to receive competitive preference points under this priority, applicants serving charter schools in States operating under ESEA Flexibility that have opted to waive the requirement in ESEA section 1116(b) for local educational agencies (LEAs) to identify for improvement, corrective action, or restructuring, as appropriate, their Title I schools that fail to make adequate yearly progress (AYP) for two or more consecutive years should target services to geographic areas in which a large proportion or number of public schools have been identified as priority or focus schools, or belonging to a subset of other Title I schools specifically identified as low-achieving under the State s approved ESEA flexibility request (see the June 7, 2012, ESEA Flexibility document at <http://www.ed.gov/esea/flexibility>).

### Strengths:

The applicant indicates it will target 75% of the requested grant amount in areas located in a Transformation Zone, which includes as an indicator an area where 25% or more of public schools are identified for improvement, corrective action, or restructuring under Title I. Pgs. e57 – e58

This proposal will target 75% of the requested amount to geographic areas in which more than 40% of students perform below the proficiency rate on the state assessments. Pgs. e57-e58

As stated in the Transformation Zone indicators, the grant proposal will target areas where 75% of students qualify for free or reduced lunch. Pgs. e57-e58

### Weaknesses:

A threshold of only 25% of public schools meeting Title I designation for improvement, restructuring, or corrective action is not overly ambitious. As indicated in the narrative on page e57 – 58, this statistic comes from the definition of a Transformation Zone. Even though the applicant is targeting Transformation Zones, it would be advantageous to present the actual percentage of public schools in the state that actually have a Title I improvement designation.

**Reader's Score:** 12

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## Technical Review Coversheet

**Applicant:** Boston Community Loan Fund, Inc. (U354A140005)

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

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design</b>		
1. Project design	35	27
<b>Quality of Project Services</b>		
1. Project services	15	11
<b>Adequacy of Resources</b>		
1. Capacity	35	32
<b>Quality of Project Personnel</b>		
1. Project personnel	15	12
<b>Sub Total</b>	100	82
<b>Priority Questions</b>		
<b>Competitive Preference Priorities</b>		
<b>Competitive Preference Priorities</b>		
1. CPP 1	15	12
<b>Sub Total</b>	15	12
<b>Total</b>	115	94

# Technical Review Form

Panel #1 - 2014 CESCO - 1: 84.354A

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

Applicant: Boston Community Loan Fund, Inc. (U354A140005)

## Questions

### Selection Criteria - Quality of Project Design

1. Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers--

a) 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;

b) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;

c) 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;

d) The extent to which the project is likely to produce results that are replicable;

e) 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;

f) 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;

g) 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 5202(e)(3) of the Elementary and Secondary Education Act of 1965;

h) 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; and

i) The extent to which the proposed project is supported by strong theory (as defined in 34 CFR 77.1(c)).

#### Strengths:

The applicant presents five products: predevelopment loans, collateral gap loans, leasehold improvement loans, lease guarantees, and bond guarantees. These products were identified as being needed by the charter schools for facilities. Most of the rates and terms appear to be better than the market based on the information provided by the applicant.

The Logic Model (page E 699) assisted the applicant in developing Chart 1 on page E 15—the goals and outcomes, including a timeline based on short-term, medium-term, and long-term periods.

The goals and objectives are clear and measurable (pages E 16 – E 18).

The majority of the objectives presented in the narrative are clear and measurable. They match the CESCO Program's goals and objectives. The applicant's general implementation plan and activities incorporate the goals and objectives very well.

The applicant provides a concise Credit Enhancement Program Selection Criteria chart (Appendix C / Attachment 21 on page E 700). This provides a full assessment of schools applying for funding, beyond development abilities and needs.

The applicant listed the sizes and types of projects to be funded Chart 2 – page E 22). It stated that over the years, it learned what the charter schools need relative to the type of facility.

The applicant intends to leverage additional \$102 million of funds with the \$8 million award, targeting eight (8) early-stage schools and 17 mature charter schools over the next five years (page E 15).

Regarding states with strong charter school laws: four (4) are in the top 10; and an additional three (3) are in the top 20 states. This represents seven (7) or 50% of the 14 targeted states including the District of Columbia (page E 301). According to the applicant, the target area includes 38% of the nation's charter schools and 46% of charter school enrollment nationwide (page E 14). This is a reasonable target area.

Given the proposed leverage (\$102 million from an \$8 million award), the statement that the applicant will bear all administrative costs (page E 35), and the statement that the applicant will work to reduce other costs by standardizing forms and procedures (page E 35), the requested grant amount is reasonable.

The applicant states that it will provide fixed rates which will not be affected by market fluctuations (page E 38).

**Weaknesses:**

Relative to providing financing to charter schools at better rates and terms, rates and terms for lease guarantees and bond guarantees are not clearly defined.

The time periods associated with the goals and objectives are not specific beyond short-, medium-, and long-term.

For goal 3 (page E 17), the applicant stated a different number ("at least four") of early-stage charter schools to be served compared to other areas of the application (such as pages E 15 and E 27), where it stated eight (8) early-stage charter schools are to be targeted.

The applicant did not explain how it determined the large range of funds it plans to deploy (\$20 million - \$50 million) on page E 18, under one of the objectives for goal 4.

General references are made to the letters of support, but these are missing from the application package. With the letters missing, it would have been useful if the applicant had included information from the letters of support in the narrative sections to allow the reviewers to understand the partners' commitments and activities.

The applicant did not identify the possible resources and funds it will utilize (Page E 18), under one of the objectives for Goal 4.

Although amounts of assistance to be given (covered in broad ranges-- page E 21), and the types of assistance to be given are identified, the applicant did not present the criteria for making exact decisions about the amount and type of assistance for each type of project.

The specific amounts to be leveraged from public and private sources are not provided; however, the applicant secured funding from the New Markets Tax Credit Program from the U.S. Department of the Treasury for 23 schools currently in its pipeline (page E 698 – Attachment 19). Although this source is identified, the other sources are missing.

**Reader's Score: 27**

**Selection Criteria - Quality of Project Services**

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

- a) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- b) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- c) 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**
- d) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

**Strengths:**

The applicant has experience working with charter schools. Additionally, it recently assisted in surveying schools to determine their needs and problems. The most pertinent information from the survey supported the applicant's experience with school financing: insufficient collateral; insufficient equity; and interest rates that are too high coupled with short amortization periods (page E 36).

The applicant will provide financial technical assistance to applicants (page E 38).

In the narrative section, charter schools and chartering agencies were mentioned as providing input so the applicant could devise the logic model and develop the types of lending products and services these organizations needed (page E 37).

The applicant identified its target area using the criteria in the competitive priority section.

**Weaknesses:**

Thirty-five letters of support are identified in Attachment 22 (or Appendix D) of the Table of Contents; however, the applicant did not include the letters in the submission. These letters are significantly valuable for evaluation purposes.

In chart 3 the applicant lists a range of interest rates for some of its products. In the narrative the applicant states it will provide credit enhanced loan products with average of 7% along with a commitment fee of 1%. It further states it is able to offer the below-market rates for the products, but it does not provide the market's rates against which to make the comparison (page E 28).

The applicant did not explain how it will focus on assisting charter schools with a likelihood of success.

**Reader's Score: 11**

**Selection Criteria - Adequacy of Resources**

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

- a) 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;**
- b) The applicant's financial stability;**
- c) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**

**d) The applicant s expertise in education to evaluate the likelihood of success of a charter school;**

**e) 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;**

**f) 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;**

**g) 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**

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

**Strengths:**

Each member of the consortium has an impressive record serving charter schools and work in the financial sector. BCLF has provided over \$975 million to organizations and businesses that benefit underserved communities. BCLF provided \$54 million in funds to charter schools, in the forms of loans and New Markets Tax Credit funding (page E 40). NFF has provided \$312 million in loans to over 800 nonprofit organizations. It directly provided \$98 million in loans to 136 charter schools (page E 41).

The audited financial statements for the past four years of both organizations in the consortium reflect financially healthy and viable organizations. BCLF manages \$410 million in capital and NFF manages \$312 million in capital.

Each organization has a CARS ratings of AAA - Policy Plus -2. This demonstrates the organizations have processes and systems that track output and outcome data on an ongoing basis, and provides data showing positive changes in the communities or populations served. It also demonstrates the organizations lead initiatives to change government policy to benefit the community development finance industry or disadvantaged people and communities. Finally, it demonstrates the organizations are fundamentally sound, exhibiting solid financial strength, performance, and risk management practices relative to size, complexity, and risk profile. According to CARS, each organization's challenges are well within its board of directors' and management's capabilities. The CDFIs are stable and capable of withstanding fluctuations in its operating environment.

The Loan Loss Reserves per the Total Loans Outstanding are 9.17% and 8.34% respectively for BCLF and NFF. The Cumulative Net Loss Ratios are .20% and 1.18% again respectively by organization, which are good ratios (from financial statements).

Both organizations maintain current Policies and Procedures for underwriting, capital deployment, project and portfolio management, risk and loss management, (including write-offs and losses), and loan structuring (page E 45 and Appendix H/Attachment 5). By industry standards, these policies and procedure are very thorough.

The applicants have years of experience lending funds to charter schools. Combined, both members invested \$152 million in debt and equity to 145 charter schools, serving 18,000 students. Additional leverage of \$450 million was invested in charter schools (page E 48). Financially, the applicant has superior experience in determining the likelihood of financial success of investments. To bolster the education and operation components, the applicant works with statewide associations, and State Departments of Education.

The consortium, BCLF and NFF all maintain conflict of interest policies. Board members, directors, staff, and loan and grant applicants are required to fill out a Conflict of Interest Form annually for the consortium. NFF's directors, officers, committee members, and staff must disclose any potential conflict of interest. Employees are directed to the human resource guide for a form. BCC's board members, staff, and borrowing organizations are required to fill out a Conflict of

Interest Statement form annually to disclose all activities and relationships that could be a conflict of interest (Appendix K/Attachment 8).

**Weaknesses:**

Each member of the consortium is performing different services and activities. The narrative should have a concise paragraph, summarizing the roles and responsibilities of each member.

BCLF did not enter information in Table 1—Non-grant Funds to be Generated (page E 65).

Regarding Table 2—Applicant Activity Table for the Most Recently Completed Fiscal Year, BCLF identified specific activities associated with debt issues of credit enhancement, and funds spent on credit enhancement (page E 66). The information in the table did not match the table's narrative (page E 67).

**Reader's Score: 32**

**Selection Criteria - Quality of Project Personnel**

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

**a) 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**

**b) The staffing plan for the grant project.**

**Strengths:**

The Consortium Agreement (Attachment 14 on page E 527) establishes the roles of each organization and the rules of governance in the form of a Memorandum of Understanding.

The staff members identified in the resumes maintain combined expertise in underwriting, credit analysis, portfolio monitoring, marketing and outreach, grant reporting, and data collection. Other pertinent areas for managing the grant, such as outreach, building partnerships, deployment, and compliance are covered as well.

The board members of each entity are diverse and bring considerable knowledge and experience to the table. The areas of expertise include: funding development, real estate, banking and finance, business representatives, large non-profit organizations, housing, law, economic development and investments.

**Weaknesses:**

Information is missing about consultants and partners such as who they are, and what they will do.

None of the staff members identified in the resumes have educational experience.

Some of the board members have experience financing charter schools, but none have educational expertise.

**Reader's Score: 12**

**Priority Questions**

**Competitive Preference Priorities - Competitive Preference Priorities**

1. This priority is the capacity of charter schools to offer public school choice in those communities with the greatest need for school choice based on--

a) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended.

b) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and

c) The extent to which the applicant would target services to communities with large proportions of students from low-income families.

**Note:** In order to receive competitive preference points under this priority, applicants serving charter schools in States operating under ESEA Flexibility that have opted to waive the requirement in ESEA section 1116(b) for local educational agencies (LEAs) to identify for improvement, corrective action, or restructuring, as appropriate, their Title I schools that fail to make adequate yearly progress (AYP) for two or more consecutive years should target services to geographic areas in which a large proportion or number of public schools have been identified as priority or focus schools, or belonging to a subset of other Title I schools specifically identified as low-achieving under the State s approved ESEA flexibility request (see the June 7, 2012, ESEA Flexibility document at <http://www.ed.gov/esea/flexibility>).

**Strengths:**

The applicant identified 14 states which meet one, two, or all three criteria for communities with the greatest need for school choice (low-income, low proficiency, and need for improvement).

Each city in each state is listed with the criteria highlighted to include one, two, or all of the three of the factors determining a community with the greatest need for school choice (page E 301).

The applicant states it will use at least 75% of an award for schools in communities in most need of investment (page E 58).

**Weaknesses:**

The applicant introduces a new term called a "Transformation Zone" (page E 56). According to the applicant, the Transformation Zone includes: districts where more than 40% of students perform below proficient on State academic assessment; districts where 75% or more of the student population is eligible for FRL; and districts where more than 25% of public schools have been identified for improvement, corrective action, or restructuring (page E 57). While percentages are presented, the percentages may be too low to served schools of highest need.

The applicant should identify the states with ESEA waivers in which it will administer the Program.

It would be helpful if the applicant provided percentages relative to the three criteria above to determine if the goals and objectives match, and to demonstrate the level of ambition in trying to reach communities with the greatest need for choice.

**Reader's Score:** 12

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**Status:** Submitted  
**Last Updated:** 04/15/2014 03:58 PM

Status: Submitted

Last Updated: 04/15/2014 02:12 PM

## Technical Review Coversheet

**Applicant:** Boston Community Loan Fund, Inc. (U354A140005)

**Reader #4:** \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of Project Design</b>		
1. Project design	35	27
<b>Quality of Project Services</b>		
1. Project services	15	11
<b>Adequacy of Resources</b>		
1. Capacity	35	32
<b>Quality of Project Personnel</b>		
1. Project personnel	15	12
<b>Sub Total</b>	100	82
<b>Priority Questions</b>		
<b>Competitive Preference Priorities</b>		
<b>Competitive Preference Priorities</b>		
1. CPP 1	15	12
<b>Sub Total</b>	15	12
<b>Total</b>	115	94

# Technical Review Form

Panel #1 - 2014 CESCOF - 1: 84.354A

Reader #4: \*\*\*\*\*

Applicant: Boston Community Loan Fund, Inc. (U354A140005)

## Questions

### Selection Criteria - Quality of Project Design

1. Quality of project design and significance. In determining the quality of project design and significance, the Secretary considers--

a) 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;

b) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;

c) 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;

d) The extent to which the project is likely to produce results that are replicable;

e) 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;

f) 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;

g) 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 5202(e)(3) of the Elementary and Secondary Education Act of 1965;

h) 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; and

i) The extent to which the proposed project is supported by strong theory (as defined in 34 CFR 77.1(c)).

### Strengths:

(a) Consortium applicants Boston Community Loan Fund and the Nonprofit Finance fund are both CDFIs. They plan to offer subordinate debt at a significant discount to industry standard risk based premium pricing. (Page E21) Additional favorable product features listed include higher LTV ratios, minimal school equity requirements, loan terms with repayments not tied to charter expirations, a leverage factor of 9:1, new sources of capital and restricted guarantees fees NTE 1%. Loan products include predevelopment loans, collateral gap loans, bond guaranty, lease guaranty, and leasehold improvement products.

(b) Project goals are clear, quantifiable and measurable and appear to be realistic given the five year performance window, previous performance history and proposed resources.

(c) It is highly likely that the project objective of reducing the cost of borrowing will succeed as the iterative steps required to reach this conclusion such as reducing borrower equity contributions, lending at higher LTV's, and providing below market rates on mezzanine debt will collectively serve to reduce transaction costs.

(d) The applicant plans to rely on its extensive experience providing flexible capital to charter schools to develop a replicable model based upon usage of its loan products. These products specifically address some of the key

development roadblocks early stage charter organizations have in identifying and securing appropriate development sites and accessing the capital necessary to make leasehold improvements with little or no credit record. (See page 7)

(e) The applicant plans to utilize its extensive experience in school assessment and underwriting along with established third party charter school stakeholder relationships to insure they accurately assess charter school strengths, challenges and the likelihood of program success. (Page 6) Potential third party consulting services are to be provided by Ford Research & Solutions , as well as JM Consulting, and experienced charter school authorizers.

(f) By addressing some of the major impediments of bringing early stage charter schools online , the applicant's model will provide needs solutions to these key issues by increasing loan to value ratios, disaggregating loan terms with charter terms, leveraging grant funds at a ratio of 9:1 and reducing guarantee fees to below market rates.

(g) Based upon quantitative data from the Center from Education Reform, all of the 13 states in the applicant's target market rank in the top ten for strongest charter and in the top half ,respectively for strong charter laws.

(h) The proposed grant amount, along with an expected leverage factor of 9:1, make the project goals and objectives reasonable and feasible in terms of the project scope and design.

(i) The applicant's specific project objectives are clear, measurable and appropriate and completed aligned with the CEP program objectives.

### **Weaknesses:**

(b)The marketing and outreach sub goals are weak. They include presenting at one or more state and national charter school conferences and trainings. This sub goal should be increased in order to properly address the next sub goal, providing guidance and technical assistance materials to charter schools through mail meetings, conferences and workshops, and websites. If the intent is to limit administrative (travel) costs, information can be disseminated through different social media platforms. (Page e18) References are made to letters of support but these are missing.

(i) The applicant references the inclusion of a robust logic model at Appendix B. A careful review of Appendix B reveals a checklist for loan document review and checklist for charter school loan and litigation activity. More process and evaluation outcome data linking these issues with program goals and success should be included here. The applicant does address the logic model at E699. Further specificity around inputs, outputs, outcomes and goals would be helpful here.

**Reader's Score: 27**

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

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

**a) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**

**b) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**

**c) 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**

**d) 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:**

- (a) The applicant has recently commissioned a survey of charter schools in its target market. Out of the responding schools, 25% indicated they lacked sufficient space and 73 % indicated they planned to undertake a facility project within 5 years. This would indicate that the applicant's loan products and development model reflects the needs of these schools. (Page 23)
- (b)The applicant references letters of support from 19 charter schools and CMO's, six school consultants and developers, and 1 state charter organization demonstrating a high level of support.
- (c) Below market interest rates are proposed by the applicant along with extended loan amortization periods. These factors will reduce costs. The credit enhancement fee of 1% is placed in a reserve account and is reasonable. Legal fees are reasonable.
- (d) The applicant's use of early stage technical assistance combined with its school underwriting and assessment work will ensure that they are focused on assisting charter schools with the greatest demonstrated need and likelihood of success. The applicant will also accept nontraditional collateral.

**Weaknesses:**

- (a)Although the applicant gives the number of schools that responded to its survey, it does not include the total number of schools surveyed, a key determinant in addressing their ability to ascertain market demand.
- (b) Given the wide footprint of the applicant's proposed service area, further evidence of outreach and endorsement by additional market stakeholders would strengthen the application
- (c) none
- (d)none

**Reader's Score:** 11

**Selection Criteria - Adequacy of Resources**

1. **Capacity. In determining an applicant s business and organizational capacity to carry out the project, the Secretary considers:**
  - a) **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;**
  - b) **The applicant s financial stability;**
  - c) **The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
  - d) **The applicant s expertise in education to evaluate the likelihood of success of a charter school;**
  - e) **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;**
  - f) **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;**
  - g) **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**

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

**Strengths:**

Strengths:

(a) Both entities in the consortium are CDFI's and have extensive experience in addressing the non-standard credit needs of community development finance generally and the credit needs of charter schools. BCLF has provided \$54 million in loans and New Markets Tax Credits to charter schools. NFF has provided \$98 million in loans to charter schools.

(b)The consortium has a strong balance sheet and financial track record. The organizations also share a diverse investor base. Audited financial statements reflect financial viability.

(c)The applicant's effort to mitigate program risk is evident in their loan, underwriting and portfolio management policies. Loan loss reserves appear to be adequate. The applicant also has risk mitigation strategies in place to avoid the undue concentration of risk through geographic portfolio diversification. (Page E47)

(d) Based upon its extensive history in lending to charter schools the applicant has sufficient in house expertise as well as that of third party resources available to evaluate the likelihood of success of a charter school. (See page 48)

(e)Each entity has a conflict of interest policy in place that describes procedures to be followed if a member is determined to have or appears to have a conflict of interest

**Weaknesses:**

(f) Greater specificity on why the applicant in provides such a wide pledge for senior and subordinated debt would be helpful here.

**Reader's Score: 32**

**Selection Criteria - Quality of Project Personnel**

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

**a) 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**

**b) The staffing plan for the grant project.**

**Strengths:**

Strengths:

(a) Key personnel have a long and deep history of training and experience and are well qualified to administer this project. Staff members are experienced in financing. (See resumes- page 683)

(b) The project staffing plan is reasonable and appropriate. The organization chart is presented outlining specific areas of responsibility.

**Weaknesses:**

(a) The applicant's education experience is not strong. If they are planning to rely on 3rd part consulting partners for this role, additional information should be submitted to support this strategy.

Reader's Score: 12

## Priority Questions

### Competitive Preference Priorities - Competitive Preference Priorities

1. This priority is the capacity of charter schools to offer public school choice in those communities with the greatest need for school choice based on--

a) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965 (ESEA), as amended.

b) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments; and

c) The extent to which the applicant would target services to communities with large proportions of students from low-income families.

**Note:** In order to receive competitive preference points under this priority, applicants serving charter schools in States operating under ESEA Flexibility that have opted to waive the requirement in ESEA section 1116(b) for local educational agencies (LEAs) to identify for improvement, corrective action, or restructuring, as appropriate, their Title I schools that fail to make adequate yearly progress (AYP) for two or more consecutive years should target services to geographic areas in which a large proportion or number of public schools have been identified as priority or focus schools, or belonging to a subset of other Title I schools specifically identified as low-achieving under the State s approved ESEA flexibility request (see the June 7, 2012, ESEA Flexibility document at <http://www.ed.gov/esea/flexibility>).

#### Strengths:

(a) The applicant has a history of lending to charter schools in low income high need areas in the past. Collectively consortium members have loaned over \$1.4B in these neighborhoods. They propose to target services focusing on low performance districts where a large proportion of public schools have been targeted for improvement. Page 3

(b) The applicant plans to create a geocoded database, which will include specific Competitive Performance Priority criteria including the criteria referenced in this question. Page 4 (c)

(c) Once developed, the applicant's geocoded database will be utilized to facilitate a data based tool that will maximize the impact of investments by focusing on areas with high concentrations of low income students in poorly performing schools thereby meeting the intent of this specific criterion.

#### Weaknesses:

(a) The applicant should have proposed a more ambitious percentage goal for Title 1 designated schools to be served.

(b) ESEA waivers were not addressed.

Reader's Score: 12

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**Status:** Submitted

**Last Updated:** 04/15/2014 02:12 PM