

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

Status: Submitted

Last Updated: 06/14/2011 05:20 PM

Technical Review Coversheet

Applicant: Real Estate Advisory and Development Services -- Administrative (U354A110006)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Quality of project design and significance		
Selection Criterion		
1. Question 1	35	28
Sub Total	35	28
Quality of project services		
Selection Criterion		
1. Question 2	15	12
Sub Total	15	12
Capacity		
Selection Criterion		
1. Question 3	35	31
Sub Total	35	31
Quality of project personnel		
Selection Criterion		
1. Question 4	15	8
Sub Total	15	8
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. CP Question 1	15	9
Sub Total	15	9
Total	115	88

Technical Review Form

Panel #1 - Panel 1 - 1: 84.354A

Reader #2: *****

Applicant: Real Estate Advisory and Development Services -- Administrative (U354A110006)

Questions

Quality of project design and significance - Selection Criterion

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

- (1) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (3) The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;
- (4) The extent to which the project is likely to produce results that are replicable;
- (5) The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;
- (6) The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs beyond what 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 5202(e)(3) 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:

The applicant indicates that through credit enhancement it will be able to offer sub debt at a rate that is significantly below the market rate for that loan product. Additionally, the applicant will be able to offer flexible loan terms that are beneficial to growing charter schools. Lending fees as quoted are at or below market rate. Pg. 4

Project goals not only target assisting charter schools to obtain affordable financing, but they also discuss ensuring that charter schools academic and organizational capacity is present to support taking on significant debt. Pg. 2-7

The partnership established through this project is significant. The joining of a nonprofit real estate development company with a CDFI will offer a comprehensive product to charter schools seeking facilities. These two entities will offer two very different areas of expertise to the charter schools served. Pg. 1

There is an extensive list of criteria that will be utilized by the applicants to select charter schools for inclusion in this program. This list includes managerial, financial and academic criteria, as well as reasonable criteria for start-up schools. The applicant will provide loan guarantees for real estate acquisition and leasehold improvements with loan guarantees to 75%. Appendix D

The applicant will use information gained from this project to promote the model in other geographic areas. Pg. 4

The partners are poised to contribute money to the loan fund upon receipt of this grant. This money, along with other private sector funds will be utilized to provide a leverage of 8.1:1. The project will serve 18 charter schools in 3 years. Assumptions on page 10 are reasonable given the scope of the project. Pgs. 5 - 6

Using the ratings from the Center for Education Reform, the applicant has positioned themselves to work with charter schools that are located in states whose charter law ranks in the top half of the ratings. Four of the targeted states are ranked in the top ten for strong charter laws.

Utilizing the pipeline provided and the amount of grant money requested, the amount is reasonable. Fees quoted in the narrative are very reasonable for the activities that will be completed during each project. Pg. 14 and Appendix A

Weaknesses:

Goals as written do not include specific objectives that are measurable. There is a lot of discussion related to each goal, but no specific targets to be met.

The timeline as presented is vague. More specificity is needed relative to tasks that must be completed to make this project work. Pg. 9

It is not apparent how the credit enhancement will help increase the available LTV for each type of loan.

While the model is novel and has good promise for replication, unless both types of companies are present in a given geographical area, the model will not be useful.

Reader's Score: 28

Quality of project services - Selection Criterion

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

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

Strengths:

A survey of pipeline charter schools and 49 other charter schools helped provide extensive data for this project. Because of this information, certain aspects of the project were included and others were enhanced to meet the identified needs.

Technical assistance provided by the applicant regarding real estate acquisitions is an important and desirable part of this application. Real estate acquisitions are an area that few charter operators have expertise. The applicant has collaborated with an arm of the NYS Charter School Association to provide assistance with school accountability. Pg. 19

The criteria listed in Appendix D that will be used to screen charter schools include a section on start-ups charters. The application also includes targets for distressed geographic areas of the country which are in need of good educational alternatives.

Sincere letters of support from state organizations, departments of education, and many charter schools were provided. Appendix 6

The applicant will hire an external consultant to assist with the educational aspects of this program. The fees incurred from this service will be waived for charter schools.

The fees as outlined in the application are reasonable. Terms will provide for below market rate for financing. pg. 16 - 17

Weaknesses:

It does not appear that the applicant involved more than one state department of education and/or state charter school office in this project. In addition, there does not seem to be involvement from authorizers. These entities would have vast knowledge to share that would make the program stronger.

The information provided from the charter school surveys was presented in a confusing manner. pg. 15 - 18

Reader's Score: 12

Capacity - Selection Criterion

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

(1) The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;

(2) The applicant's financial stability;

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

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

(5) The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;

(6) If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;

(7) For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and

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

Strengths:

The primary partner in this grant project has worked with 12 charter schools since 2003 to develop facilities. Each of the other partners has significant experience in capital financing for non-profits with very little loan loss. (1%) pg. 22-26

Each of the partners has a good amount of operating income with at least a 6% loan-loss reserve for the two CDFIs. Financial information indicates bottom line increases each fiscal year. The partners listed each have a very diverse stream of revenue, so as not to rely on one specific type of revenue for operations. Pg. 28

The application indicates good portfolio management from all three partners and the consortium has developed an underwriting plan that speaks to the expertise of each partner. The Boston Community Loan Fund has a good rating from CARS for financial strength and stability. Pg. 29

With the use of Elevate from the NYS Charter School Association to work with charter schools on academic and organizational aspects of management, and the initiation of an Academic Advisory Board, the applicant has included educational expertise in the program model. Pg. 33-34

Each partner in this grant application has included a conflict of interest policy. In addition, there is a conflict of interest policy that was written for the consortium. Attachments Q & R

The applicant has developed a memorandum of understanding that outlines the responsibilities of each partner. Additionally, there is a table presented that outlines areas of responsibility, along with responsible entities and personnel for each section of the program. Pg. 37 and Attachment

Weaknesses:

The CARS rating for Nonprofit Finance Fund was decreased midyear in 2010 and there is not a rating provided for 2011. While this may not be indicative of a problem, it is a little troublesome and should have been explained in the narrative. Appendix L

Reader's Score: 31

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

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

Strengths:

The partner responsibility table identifies certain personnel for each area of the program. Each of these individuals is well qualified for the position they will hold. Pg. 37

The applicant has established an Advisory board for the purpose of determining the strength of charter school applicants. These individuals are representatives from the three partner companies and all bring financial experience to the table.

The applicant has secured an outside consultant to assist with educational aspects of this program.

Weaknesses:

The staffing plan as presented does not indicate a project manager or a skill set for this position. It is difficult to determine if the staff plan is adequate without identifying this individual.

The application would have been stronger if information about the board members and senior staff from READS would have been provided.

The newly established Advisory Board does not have any educational expertise from its members.

Reader's Score: 8

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

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--

- (1) 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, as amended (ESEA);**
- (2) 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**
- (3) The extent to which the applicant would target services to communities with large proportions of students from low-income families.**

Strengths:

Data is provided in all three areas of the competitive priority for targeted geographic regions. Pg. 43

The applicant indicates throughout the application that 75% of the funds will be targeted toward charter schools that meet the priorities of this grant program.

Weaknesses:

There is no target percentage that the applicant will use to judge whether or not the area is "right" for assistance. The applicant should have indicated that assistance will be provided for charter schools in areas where a certain percentage of students are not proficient on reading and math tests, or a certain percentage of schools are under restructuring as a result of NCLB.

Reader's Score: 9

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Technical Review Coversheet

Applicant: Real Estate Advisory and Development Services -- Administrative (U354A110006)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Quality of project design and significance		
Selection Criterion		
1. Question 1	35	29
Sub Total	35	29
Quality of project services		
Selection Criterion		
1. Question 2	15	12
Sub Total	15	12
Capacity		
Selection Criterion		
1. Question 3	35	32
Sub Total	35	32
Quality of project personnel		
Selection Criterion		
1. Question 4	15	9
Sub Total	15	9
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. CP Question 1	15	8
Sub Total	15	8
Total	115	90

Technical Review Form

Panel #1 - Panel 1 - 1: 84.354A

Reader #3: *****

Applicant: Real Estate Advisory and Development Services -- Administrative (U354A110006)

Questions

Quality of project design and significance - Selection Criterion

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

- (1) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (3) The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;
- (4) The extent to which the project is likely to produce results that are replicable;
- (5) The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;
- (6) The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs beyond what 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 5202(e)(3) 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:

On page 4, the applicant discusses offering lower rates, longer amortization terms than the program's length, and a lower guarantee fee than the market.

The applicant provided a table displaying the terms of the program making the analysis easier (page 4). Table 5 also identifies specifics about the number of schools to be served, and the type of development or finance activity (page 10). The terms are favorable for charter schools.

A range of financial amounts is presented for the amount of assistance to be given to charter schools.

The applicant identifies seven goals. Objectives are listed separately. A very simple timeline was presented. The applicant's objectives and measurable outcomes table were useful for the evaluation (pages 1 through 7).

The partnership's overall plan, outlined in the seven goals, is comprehensive and should further the purpose of the program.

READS stated the selection criteria of schools will include demonstrated need, management's track record, financial strength, prospects for completing the project on time, service within a community of greatest need, and academic strength (page 9).

The applicant intends to attract \$145 million in private funds with a leverage ratio of 8.8:1. It determined this amount using the assumptions listed in a table (on page 10), which are reasonable assumptions.

READS identifies five target states, the District of Columbia, and two replication states (Michigan and California). All have charter school laws (page 13). Each is ranked by the Center for Education Reforms rankings relative to their standings for being strong as charter states. Four are in the top ten by rank, and the remaining four are ranked in the top half of all states evaluated.

The majority of costs (marketing and outreach, underwriting, technical assistance, and administration) will be borne by each of the consortium participants (page 14). Additional savings will occur through the standardization of documents. These items help make the case for a reasonable grant request.

Weaknesses:

The timeline could use more milestones associated with specific activities (page 9).

Most of the measurable outcomes are difficult to quantify as listed. For example, the Number of Loans to Start-Up Schools should have a goal listed, so the actual outcome can be determined and evaluated (pages 1-7).

Although the applicant intends to advertise and share the model with other organizations and lenders, this advertising and sharing do not make the program replicable (page 7).

The applicant's description of LTV ratios is not clearly presented. The narrative does not explain how the credit enhancement will be used on the LTV ratio or indicate which products will be used.

Reader's Score: 29

Quality of project services - Selection Criterion

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

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

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

(3) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and

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

Strengths:

A survey of 49 charter schools provided information about the schools' needs (self-identified). Another 30 schools in the applicant's pipeline were consulted (page 15). The applicant used the information to develop the program.

READS obtained 32 letters of support for the application. The letters included charter schools, state charter associations, partnering organizations, and two of the consortium members (page 18).

In addition to support, READS utilized conversations with existing pipeline schools, its experience, and survey results to involve charter schools and charter school representative organizations to develop the proposed plan.

The consortium provides technical assistance on a variety of topics with no direct cost to the applicants. Relative to the reasonableness of fees and lending terms, many of the costs are lower, and the terms and rates are better than the market as described.

The applicant is willing to work with start-up schools. It will also offer leaseholds and guarantees for schools with strong needs.

Weaknesses:

Forty-nine (49) schools in the applicant's target market identified not having sufficient space as the primary problem they face. Although the charter schools provided input, much of the information was not presented well in the narrative section to connect the input with the needs (page 18).

Through the narrative section of the application up to page 21, the applicant rhetorically discusses targeting likely successful schools and schools in need. However, the applicant failed to provide measurable criteria for selecting the schools with the greatest demonstrated need.

Relative to involvement in design, it was not clear who the other stakeholders were, such as charter agencies, authorizers, or state departments of education.

Reader's Score: 12

Capacity - Selection Criterion

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.

Strengths:

READS has experience having developed twelve schools. Another ten schools are scheduled to be developed. READS also has experience providing real estate technical advice (page 24).

NFF has 30 years of experience financing \$270 million with a minimal loan loss of 1%, and providing advice. It has serviced 800 nonprofit organizations (page 24). NFF began working with charter schools seven years ago. NFF manages \$106 million in New Markets Tax Credits, of which it targets 40% of its pipeline of funds to charter schools.

BCLF has 26 years of experience investing in low-income communities, making 500 loans and investments worth \$350 million. Recently BCLF became involved with charter schools. BCLF's strength is underwriting projects (page 27).

A financial snapshot on page 28 assisted with the analysis of the financial strength of each member of the consortium. It provided information to make of general determination of "very good" for the organizations.

NFF provided audited financial statements through December 31, 2010. The organization maintains a balance of \$47 million in assets. NFF earns revenue through diverse sources and activities.

BCLF provided audited financial statements through December 31, 2010. The organization maintains a balance of \$98 million in assets. BCLF also earns revenue through diverse sources and activities.

BCLF's January 2011 CARS score was AAA+/2. This rating is very good rating.

READS will perform the initial project feasibility analysis. NFF or BCLF will perform the credit assessment for underwriting (page 29).

NFF utilizes board-approved credit policy guidelines. NFF provided its Financial Management Policies, and its Underwriting and Financial Analysis Manual. These documents were very thorough.

BCLF and NFF provided a combined document: the NFF and BCLF Loan Underwriting and Monitoring Manual, which details the procedures each organization performs for each business activity. This document is thorough.

The applicant set up an Academic Advisory Board, and works with the NYS Charter School Association, and Elevate to obtain educational expertise (page 33). Using these organizations and following its due diligence and underwriting process, READS anticipates better loans being made with more dollars flowing into start-up and growing schools (page 35).

All three individual organizations provided Conflict of Interest Policies for employees and Board members. The consortium also provided each Member's Respective Conflict of Interest Policy for the Board and employees.

A Memorandum of Understanding details the responsibilities of each party, which clearly distinguished what would be contributed by each entity.

BCLF and NFF have committed to bringing \$60-\$70 million in senior and subordinate financing for this program (page 36). As mentioned in previous section, each member will provide additional resources and staff to perform the activities for administering the program.

Weaknesses:

NFF's January 2010 CARS score was AAA / 2. Later that year its CARS was Stable, with declining trends. There was no explanation about the slight decrease.

Quality of project personnel - Selection Criterion

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

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

Strengths:

Each partner of the consortium provides certain expertise in the necessary areas for finance. NFF will provide staff for underwriting and credit analysis, and marketing. BCLF will provide staff for portfolio monitoring. READS will provide staff for feasibility studies, academic assessment, and grant reporting (page 37).

In order to manage the diverse activities, a Capital Access Program special purpose entity will act as the governing body. This special purpose entity deals with a concern about program oversight.

The resumes of the assigned staff and the bios of BCLF's Board provide good insight to the skill set brought by all.

Weaknesses:

One person was not identified as the lead coordinator to manage all three organizations, nor did the applicant identify the qualities it would seek for the position.

NFF and READS should have provided bios, at the very least, on its Board members.

Priority Questions

Competitive Preference Priority - Competitive Preference Priority

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--

- (1) 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, as amended (ESEA);**
- (2) 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**
- (3) The extent to which the applicant would target services to communities with large proportions of students from low-income families.**

Strengths:

The applicant states that it will target 75% of the ED funds for use in communities demonstrating the most need.

The applicant provides good quality data about its target areas.

Weaknesses:

The applicant should identify the numbers or percentages of the priorities identified. For example, "we will target areas where public schools or districts have been identified as in need of improvement, under corrective action or restructuring."

No percentages of students performing below proficient on State academic assessments were presented, and no percentages of students from low-income families were presented.

Reader's Score: **8**

Status: Submitted

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Technical Review Coversheet

Applicant: Real Estate Advisory and Development Services -- Administrative (U354A110006)

Reader #1: *****

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Selection Criterion		
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Sub Total	35	27
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Selection Criterion		
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1. Question 3	35	32
Sub Total	35	32
Quality of project personnel		
Selection Criterion		
1. Question 4	15	9
Sub Total	15	9
Priority Questions		
Competitive Preference Priority		
Competitive Preference Priority		
1. CP Question 1	15	9
Sub Total	15	9
Total	115	89

Technical Review Form

Panel #1 - Panel 1 - 1: 84.354A

Reader #1: *****

Applicant: Real Estate Advisory and Development Services -- Administrative (U354A110006)

Questions

Quality of project design and significance - Selection Criterion

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- (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 beyond what 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 5202(e)(3) 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) This proposal is to develop a program called Capital Access Program, which is a partnership & consortium between three organizations. The applicant, Real Estate Advisory & Development Services, Inc (READS), a developer/CMO; Nonprofit Finance Fund, a CDFI; and Boston Community Loan Fund, a CDFI are the three members. The program is a credit enhancement for the CDFIs to meet the facility financing needs of charter schools in five states in the Northeast & Mid-Atlantic regions. The rates will be below market and the terms will be flexible for both start-ups and mature schools. For example, schools may have both senior debt and sub-debt, 50% guarantee of sub-debt, 7 yrs terms, and 20 yrs amortization, rates 6-8%, and 1% guarantee fee. (p. 1-4)
- 2) The applicant states seven goals for the Capital Access Program (CAP) with objectives that are specified and measurable. (p. 2-7)
- 3) The applicant and its partners will likely achieve the objectives and measurable outcomes because of their experience in real estate development and lending. Secondly, the members' goals, objectives, and outcomes are clearly stated and are measurable in a timely manner. (p. 8, table 8)

- 4) The applicant states the Consortium model of the Capital Access Program is replicable in other areas as a best practice.
- 5) The applicant will work to attract and identify strong charter schools borrowers and projects first. Secondly, they will work with statewide associations in their target markets to help identify schools in need of facility financing. When schools are identified, initial prescreening and feasibility studies for a proposed facility project is done and based on the viability and the underwriting and third-party academic & organization review will be done by the NFF and BCLF. The amount of credit enhancement will be 50-75% and the type will be leasehold improvements and sub-debt loans. (p. 8)
- 6) The CE proceeds are expected to leverage 8.81 times to attract a total of \$144.75 million in facility loans to more than 18 schools in three years. (p. 9 table 4 & 5)
- 7) The applicant and its members have the ability to serve charter schools in five states with strong charter laws. The states are Delaware, New York, New Jersey, Massachusetts, & Pennsylvania. The replication states are Michigan, California, and Washington, DC. This data is from the Center for Education Reform. The geographic areas current and replication states include 1,846 charter schools or 34% of the nation's charter schools. (p. 12)
- 8) The amount requested and project costs are reasonable in relation to the objectives and design because of the Consortium pipeline projects, leverage, and variety of servings to the schools. The fees are low or below market. (p. 14)

Weaknesses:

- 1) The objectives were not measurable and specific across the board.
- 2) The applicant did not explain the activities related to the timeline for outreach and marketing the program.
- 3) The applicant could not replicate this model in other areas because it is not a proven model.
- 4) It is unclear what the actual LTV is as it relates to which one of the products the applicant is offering with the credit enhancement program.

Reader's Score: 27

Quality of project services - Selection Criterion

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

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

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

Strengths:

1) The needs of the charter schools are being met based on a study and survey done with 49 schools responding. The needs are real estate technical assistance and access to capital. The CAP is designed to meet the financing needs of the schools by acting as a loan broker. The schools were surveyed and interviewed (p. 15)

2) The applicant and its Consortium solicited input and feedback from a variety of charter school community stakeholders for the project design process. The consortium included charter schools authorizers and state agencies. A survey was drafted to determine the types of obstacles charter schools face when apply for facility financing. Forty nine schools responded and 37 were located in their targeted market. (p. 17)

3) The applicant provided real estate technical assistance and assessed the academic level. The services were cost effective strategies because the external consultant fees were reduced or waived. The lending terms and rates were reasonable, cost effective, below market, and flexible. The sub-debt interest rates will benefit the applicant with its discounted rates compare to other programs. (p. 18-19)

4) The applicant and its partners are targeting and focusing on schools that have the greatest needs for assistance. The school operators were surveyed and interviewed. Based upon their background and research, discussions with state charter school associations and knowledge of the market, the target footprint include schools with significant need. The CAP will target 75% of the CE for schools demonstrating need. The criteria are: where public schools are under performing, areas where large numbers of students are scoring below proficient in academic assessments, and areas where a large part of the student body comes from low-income households. (p. 20-21)

Weaknesses:

The applicant did not fully address or demonstrate how the charter schools were involved in the design and implementation of the program.

Reader's Score: 12

Capacity - Selection Criterion

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.

Strengths:

1) The applicant and its Capital Access Program Consortium members have extensive experience in real estate development, lending, and charter school facility financing. They have the amount and quality of experience to carry out the proposed activities and to undertake this application. Each member of the Consortium has many years of related real estate and facility financing and charter school experience. They are all national leaders in financing. (p. 22-25)

2) Each of the Consortium members has more than 20 years of operating history with strong & stable financial statements. They all have prudent leaders and management teams on staff. The portfolio of each lending member has maintained a high level of credit quality. As of 12/31/10, each member has a diverse revenue stream with 47% of total income from earned income and 54% from private and public grants or investments. These members have strong financial statements and stable financial health and viability. They maintain healthy loan-loss reserves with minimal losses demonstrating sound underwriting standards and financial health. (p. 27-28, table 6)

3) The members have a strong line of defense against losses and a stringent credit analysis. The strength of loan underwriting, monitoring, and financial management is evidenced in the historically low level of charge-offs and delinquencies in the lenders' portfolios. They have loan underwriting, monitoring, and financial management policies and procedures in place to protect against unwarranted risk. (p. 29-34)

4) The applicant's expertise in education is from their Academy Advisory Board, NYC Charter School Association and Elevate.

5) According to the narrative, each member or organization maintains a conflict of interest policy for both staff and board of directors. The staff and board member signed the COI agreeing to abide by the rules. (p. 35)

6) The applicant has partners or consortium members. In their roles, the partners will serve as subordinate lenders and in some cases as senior lender. BCFL and NFF have committed to providing between \$60 MM and \$70 MM for senior or subordinate debt to charter school financial through this partnership. Each member is also committing human capital and other resources to support marketing, underwriting, financing, and providing technical assistance. (p. 36-37, table 7)

7) N/A

8) N/A

Weaknesses:

The partners of BCLF and NFF did not explain why the CARS was declining. The declining CARS rating raises concerns.

Reader's Score: 32

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

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

Strengths:

1) The applicant and its Consortium members put an excellent project team together with critical experience in developing and financing charter schools, providing technical assistance, accessing and support the academic, organization and financial strength of the charter schools. The project team members have experience in lending, program development and charter school program. The team's experiences are from community development, finance, policy, and educational lending program. The members executed a MOU to guide the decision-making process, effective governance, clear roles, and responsibilities of the Consortium member. (p. 36-37, table 7)

2) The staffing plan is divided between the consortium members with specific partner responsibility assignments for underwriting & credit analysis, portfolio monitoring, feasibility studies and real estate development, academic assessment, marketing, grant reporting and partner coordination. (p. 37-41, table 7)

Weaknesses:

- 1) The applicant did not submit resumes for all of their senior staff.
- 2) There is no project manager was identified to be in charge of the project. Therefore, it was difficult to assess the qualifications of the project manager.
- 3) There is no education expertise in house.

Reader's Score: 9

Priority Questions**Competitive Preference Priority - Competitive Preference Priority****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--

- (1) 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, as amended (ESEA);**
- (2) 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**
- (3) The extent to which the applicant would target services to communities with large proportions of**

students from low-income families.

Strengths:

1) The applicant and its consortium members are targeting six states that have significantly more Title I schools where students are academically underperforming and a higher number of students live in poverty than their state average. The applicant will target schools that have been identified for improvement, corrective action or restructuring under Title I. (P. 42)

2) The applicant and members will target services to schools or districts with large number of schools identified as in improvement because many students scored low on their state academic assessments and proficiency exams in reading and math. (p. 45)

3) The applicant and its members collected data and the analysis includes the percentage of low-income students as indicated by the student eligibility for free and reduced lunch in each priority area. Eighty-two percent of the students are eligible in targeted communities. The applicant will also target these low-income communities for charter schools. (p.45)

Weaknesses:

No target percentages were identified for each factor.

Reader's Score: 9

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