

**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: Charter Schools Development Corporation (U354A140009)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design		
1. Project design	35	29
Quality of Project Services		
1. Project services	15	12
Adequacy of Resources		
1. Capacity	35	30
Quality of Project Personnel		
1. Project personnel	15	11
Sub Total	100	82
Priority Questions		
Competitive Preference Priorities		
Competitive Preference Priorities		
1. CPP 1	15	12
Sub Total	15	12
Total	115	94

Technical Review Form

Panel #1 - 2014 CESCO - 1: 84.354A

Reader #1: *****

Applicant: Charter Schools Development Corporation (U354A140009)

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:

Financing packages that include leasehold improvements, mini-perm loans or tax-exempt bond financing will be provided at interest rates 25 – 200 basis points below market with loan origination fees ranging from 1 – 2%. Charter schools will have LTV ratios of up to 100%, much higher than available without CE, and also, longer amortization terms. Pgs. e26 & e45

Goals are clearly outlined with specific measurable objectives. These goals relate to the overarching purpose of the project, which is to target new charter schools in rural geographies. Pg e27

The applicant discusses throughout the narrative about the partnership with Building Hope and the advantages this partnership will bring to the rural charter school financial landscape.

The applicant has a detailed underwriting policy that investigates 17 aspects of a charter school business plan. This process will continue throughout this new project. These aspects that will be reviewed are well defined in the Loan

Policies and Lending Guidelines document in the Appendix. Pg. e34

The applicant expects these grant funds to be leveraged at 17:1 and assist 35 charter schools. The applicant has received assistance in the past from Kaufman Foundation, Daniels Fund, Calvert Foundation, Communities at Work Fund, Innovative Schools and numerous lending institutions. Building Hope has several funding partners – Walton family foundation, Albertson Foundation and Sallies Mae Fund. While these groups have been supportive in the past, the narrative indicates they won't commit additional funds without another CE grant. Pgs. e35 - e36

The applicant has included a table that shows the ranking of state charter laws by the Center for Educational Reform (CER) and the National Alliance for Public Charter Schools (NAPCS). Historically, the applicant's portfolio of charter schools fall in A or B rated schools as rated by CER and in the top 50% of states rated by NAPCS. One of the goals for this new project is to focus 65% of the funding to states ranked A or B by CER or located in the top 50% per NAPCS. Pgs. e37 & e61

The requested grant amount is reasonable considering the number of charter schools to be assisted (35) and their location in rural areas, which have a difficult time accessing financing due to higher operating costs including transportation and facilities due to the usual absence of vacant district school buildings or other vacant real estate that could be transformed into a charter school. The proposed costs are reasonable and will be covered by program fees. Pgs. e38 & e27

Weaknesses:

While the applicant has some general guidelines as to when activities will occur within the grant, there is not a timeline presented.

The implementation plan as presented is too vague. Specific tasks, targeted completion dates and responsible parties should have been presented. Pgs. e31 – e32

The applicant presents a very weak discussion on replication of this model on a national scene. While the applicant identifies a research entity, the Rural Opportunities Consortium of Idaho (ROCCO), that will identify best practices and publish original research on trends in rural education, there is very little information provided on actually replicating this model. Pg. e33

The applicant does not provide a logic model and the grant proposal is not supported by strong theory.

Reader's Score: 29

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:

Through discussion with the leaders of several charter school organizations the applicant validates the need for financing options for rural charter schools. These charter schools have distinct disadvantages being away from an urban setting in that seldom are vacant buildings available to renovate so rural charter schools must start from scratch. Because of this problem students living in rural America are not afforded the opportunity for school choice making their need for charter schools critical. Pgs. e40 – e42

The applicant has an advisory board that consists of many leaders of state charter school associations from states with a large percentage of rural students. These individuals bring their needs and concerns to the table as well as the members of the Board of Directors that have charter school affiliations. Pg. e42

Technical assistance will be provided to prospective charter schools free of charge. This assistance ranges from assessing current finances to investigating leadership and board succession. By working with charter schools up front on identifying effective management strategies and mapping out future plans, the applicant assists the charter school in becoming more marketable. Pgs. e44 – e45

By focusing the majority of this grant funding on new and rural charter schools, the applicant has identified an area of great need. These charter schools have not had sufficient years of experience to provide historical data related to student achievement and financial stability and therefore, do not meet traditional underwriting standards.

Weaknesses:

There is not an indication that charter schools were specifically involved in the design of this project.

The applicant failed to address the piece of criterion D regarding assisting charter schools with a likelihood of success.

Many of the letters of support that are included are not original. Many have the same repetitive language.

Reader's Score: 12

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:

The applicant and their partner through previous CE grants have collectively created 54,000 new student seats in 153 charter schools. Through each of the CE grants received by Charter Schools Development Corporation they have been able to meet their project goals. Additionally, testimonials found in the narrative and in the letters of support indicate the applicant has successfully assisted new and rural charter schools achieve some type of facility financing. Pgs. e47 and e56

The applicant is a relatively young CDFI having been certified in 2010. At the end of 2013 the applicant had \$32 million in net assets and had a loss rate of 1.17% throughout the lending portfolio. Each of the audits presented had no findings. The applicant has recently gone through a recertification process with US Treasury. Pg. e50

Policies and procedures for loan underwriting and portfolio and financial management are presented and these are reviewed on a quarterly basis by the Board of Directors. This applicant has developed a vetting process that includes working with charter schools upfront to assure mechanisms are in place to help the charter schools succeed. If aspects of a well run charter school are missing, technical assistance will be provided that will, hopefully, bring that charter school up to a management level that will enable the applicant to offer the charter school financial assistance. Pgs. e51 – e53

The structure of the applicant provides an Advisory Group which contains the leaders of several state charter schools associations. These individuals are relied upon to bring the expertise they have on their specific markets to the discussion. In addition, the Board of Directors has several individuals that have significant experiences in the charter movement including the chairman who served 7 years on the DC Public Charter School Board. Pgs. e54

A Standards of Conduct policy is included in the Appendix that contains a conflict of interest statement that pertains to Directors. Pg. e55

The performance reports as presented for the three previous CE grants, indicates the applicant has met the goals having provided credit enhancements to 110 charter schools resulting in an overall 16:1 leverage ratio. The three performance reports indicate two loan losses. Pg. e56

Weaknesses:

The applicant does not have an investment profile rating from an independent rating system.

The applicant names several entities as partners in the sense they will provide assistance to this program. i.e. Rural Opportunities Consortium of Idaho, J.A. & Kathryn Albertson Foundation. There is not enough specificity about how each entity will contribute to the success of the grant project.

Throughout the application it is stated that Building Hope is a partner, yet there is no information provided on financial status, no policies and procedures for underwriting, no information about the Board of Directors and most importantly, no partnership agreement has been outlined. Additionally, Building Hope should have provided the most recent performance report from their CE grant. In order to judge the capacity of this application the above mentioned items relative to Building Hope should have been included with the application.

There is not a conflict of interest policy for staff members.

Reader's Score: 30

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:

Both the project director and manager are named. Both are serving in similar capacities with the previous CE grants and are more than qualified to administer this grant. The application includes a short biography of an individual from Building Hope that will share in the responsibility for the implementation of this grant. This individual has 20 years of experience in non-profit management. Pgs. e56 – e57

Weaknesses:

It is difficult to determine how the staffing of the grant project will work without information provided about Building Hope and how their staff members will support the grant project, and how both sets of staff members will work together.

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:

Using information from the US Department of Education that identifies the top ten states to receive School Improvement Grants, the applicant, to date, has assisted charter schools in 5 of those states and the partner, Building Hope, focuses on two other locations, also included in the top ten. In alignment with the mission of the organization, it will continue to target states with a large percentage of school districts that have been identified for improvement, correction action or restructuring. Pgs. e13 – e14

The applicant indicates that 45% of its current portfolio is comprised of charter schools located in states where 8th grade student proficiency rates for math or reading are in the bottom third of the nation. This practice of targeting student populations in low performing states will continue with this new grant proposal. Pgs. e15 – e16

The main target of this application is to assist charter schools serving a low income population. At least 70% of the charter schools financed will have a majority population of low income students. Pgs. e15 – e16

Weaknesses:

There is no indication that the targeted states have an ESEA waiver.

The applicant should have addressed student performance on state assessments from other grade levels. As presented, the narrative focuses on 8th grade scores compared on a nationally bench marked test.

Reader's Score: 12

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Technical Review Coversheet

Applicant: Charter Schools Development Corporation (U354A140009)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design		
1. Project design	35	29
Quality of Project Services		
1. Project services	15	13
Adequacy of Resources		
1. Capacity	35	32
Quality of Project Personnel		
1. Project personnel	15	12
Sub Total	100	86
Priority Questions		
Competitive Preference Priorities		
Competitive Preference Priorities		
1. CPP 1	15	10
Sub Total	15	10
Total	115	96

Technical Review Form

Panel #1 - 2014 CESCOF - 1: 84.354A

Reader #2: *****

Applicant: Charter Schools Development Corporation (U354A140009)

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:

The market generally requires 15%-25% of equity. The applicant can offer gap financing at 100% financing, requiring no equity. The applicant also allows an LTV ratio of 100%, compared to the market which requires between 70% and 85%. CSDC also does not require traditional collateral (page E 19).

The applicant provided interest rates to be charged (4% to 7%) compared to the market's 7% to 9% (page E 26).

The goals and objectives are clear and measurable (page E 27 through E 31). An example of a clear and measurable objective is the applicant raising new capital for charter schools including \$5 million from Building Hope within 60 days of a CE award (page E 28). Another example is the applicant will serve two-thirds of schools with less than 3 years of operating history—targeting early-start schools (page E 29).

The objectives include timelines for implementation. For example, relative to raising new capital, the applicant will secure an additional \$5 million in lending capital within 6 months (page E 28). Another example is that CSDC will serve 15

schools by originating \$10 million in the first three years (page E 30).

The applicant will target 65% of its loans to schools scoring highly in states with strong charter laws (page E 31).

The applicant is experienced with lending to charter schools, with a history of a 16:1 leverage ratio for three previous CE Grants. It also recycled its funds four times. Using the measurable goals and objectives, and its partnership with BH, the applicant should achieve its objectives and further the purposes of the program (page E 31).

The applicant identified the criteria it uses to select schools for assistance: strong school leadership; a clear educational mission and vision; a compelling academic model; a close relationship with the community served, and its charter authorizers; and, an interest and demand from parents (page E 34).

Given the applicant's track record and relationships with foundations and philanthropic organizations, it is likely to continue to draw funds for the initiative. Without the grant, it would probably still receive the funds, but the leverage would be significantly reduced (page E 35).

The applicant intends to provide at least 65% of its funds to schools in states with CER scores of "A" or "B," or in the top 50th percentile of NAPCS' scoring system. It will focus on Colorado, Idaho, and Georgia, three of five states with rural populations of high need. It will include D.C. and Florida as its partner—BH—is present and active in these areas (page E 37).

The applicant has an established model for providing financing to charter schools. An award of additional CE funds would allow it to continue to perform (page E 38).

The project costs subsidize the borrowers' closing costs and legal fees (page E 64). The applicant will charge a fixed fee of \$5,000 per closing to cover these costs.

Weaknesses:

Although the rates to be charged are below market, the applicant did not explain how it would determine the rate exactly since it is spread between 4% and 7% (page E 30).

The timeline associated with the goals and objectives is not detailed. The applicant presents years as the increment of time. A more specific timeline would help to better understand the implementation plan (page E 30).

The applicant stated it would leverage \$83.5 million in new financing from senior sources and/or landlord investing in leased facilities. It should have given examples of the anticipated sources and the types of landlords interested in making these investments (page E 31).

As one of the objectives, the applicant generally stated it would provide free technical assistance, but did not identify the technical assistance (page E 31).

Although the applicant stated that it operates a replicable program now, the proposed change in area (to rural schools) could alter things such as investment upon which it heavily depends (page E 33).

While the applicant listed the criteria it uses to select schools for assistance, the terms provided were qualitative and lacked definitions. For example, "a close relationship with the community" needs to be defined, as does "a compelling academic model" (page E 34).

Although the applicant presents the criteria with which it determines loan size, the factors alone do not provide insight into the formula. More detail, or examples, would help to better understand how an exact amount is derived, especially with a loan spread between \$100,000 and \$1.5 million (page E 34).

The narrative for this section ended on page E 39. The applicant did not discuss strong theory or explain its logic model.

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 letters of support from the charter schools reiterate the need for facilities funds for rural schools. New and rural charter schools do not have cash or equity to meet a lender's requirements (page E 40).

Members of the Advisory Board have experience founding, leading, and authorizing charter schools (page E 42).

The applicant provides technical assistance for no charge to schools prior to underwriting and as part of the due diligence period. It stated that 80-90% of the schools to which it provided TA previously became a client. The TA includes topics that address items before a facility is placed in service, and longer-term concepts for continued operation (page E 44).

The fees charged for financing are in line with the market's fee (1-2%) for loan origination. The interest rates are fixed, and are "lower" in that the collateral requirements are less than a standard bank's (page E 45).

The applicant substantiated the finance needs for new and rural schools with sections from the letters of support, and a summary of research articles (page E 46).

Weaknesses:

Numerous letters of support were provided. Many were form letters that supported the application, and thanked the applicant for its help with its associated facility project in the past. While the letters did reiterate the need for facilities funds for rural schools, real input from these types of organizations was lacking. The narrative simply restates sections from the letters of support (page E 40).

The applicant did not address assisting charter schools with the likelihood of success and the greatest demonstrated need for assistance under the program (pages E 45 through E 47).

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:

The applicant has experience with three (3) CE Grants totaling \$23.6 million (page E 47). Its experience using credit enhancement for loans is similar to the proposed activities under the new grant.

The proposed partner—BH—has experience with one \$4.95 CE Grant, having created 19,000 new student seats in 43 schools, and leveraging \$403 million in private financing (page E 47).

The audited financial statements are in order. There are no findings or issues. In 2012 the applicant controlled \$125.9 million in assets.

In 2013 the applicant's portfolio delinquency rate was 1.17% compared to the CDFI's industry average of 7%.

CSDC's Loan Policies and Lending Guidelines are very thorough. The document addresses loan eligibility, underwriting guidelines, credit analysis, loan administration, reporting, loan loss reserves, portfolio management, and collections. In addition to industry-standard underwriting, the applicant evaluates a school's capacity, existing conditions, and charter agreements (Attachment 6).

The board reviews the policies and procedures a quarterly basis (page E 52).

Six members of the Advisory Board have direct experience with education (page E 42).

The Standards of Conduct Policy addresses basic coverage for real and potential conflicts.

The applicant's most recent fiscal year (Table 2) displays the applicant credit enhanced \$41.5 million to 14 projects. Table 4 displays the applicant served 68% of schools with less than three (3) years of operating experience. Forty-six percent (46%) of schools served were independent of CMOs.

Weaknesses:

The applicant did not provide its CARS report, therefore, it was not possible to determine the applicant's ratings for its investments.

The applicant defers expertise in education to its Board, Advisory Board, and staff. It does not discuss the organization's expertise in education (page E 54).

The COI Policy only includes the Board, officers, and their family members. It does not address staff (although the applicant mentions staff is covered by it in the narrative section (page E 55)).

Throughout the application the applicant includes Building Hope (BH) as a partner, not a co-applicant. It uses BH's experience and credentials to earn points; however, it does not provide the partner's supporting documentation (financials, policies, a list of staff, etc.). Although this is not required since this is not a consortium, the applicant should be aware that the additional information would have fully supported BH's position as the main partner.

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:

Two of the Governing Board members have education experience, not limited to finance (page E 59). One was a co-author of a charter school law, and another was the Executive Director for the Center for Charter Schools in Michigan.

Six members of the Advisory Board have direct experience with education (page E 42).

Staffing plan is sufficient as the leaders are identified—the Project Director, the Project Manager, and the Credit Manager (page E 57). These individuals have experience with previous charter school grants.

Weaknesses:

The identified staff does not have direct educational experience. The experience with schools is predominantly in the financial areas.

BH, as a partner, did not provide information about its staff.

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 addressed communities with large proportions of students from low-income families based on student eligibility on FRL (page E 13).

It addressed schools in poor performing districts, relative to schools with students performing below proficient on academic assessment (page E 14).

Weaknesses:

The applicant did not specifically address targeting schools in geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring (page E 13).

The applicant did not identify the number or percentage of schools to be served that meet all of the Competitive Preference Priority; except to target at least 70% of schools with students from low-income families (page E 15).

The applicant should identify if ESEA waivers are involved in its program.

Reader's Score: 10

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Status: Submitted

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Technical Review Coversheet

Applicant: Charter Schools Development Corporation (U354A140009)

Reader #4: *****

	Points Possible	Points Scored
Questions		
Selection Criteria		
Quality of Project Design		
1. Project design	35	30
Quality of Project Services		
1. Project services	15	13
Adequacy of Resources		
1. Capacity	35	29
Quality of Project Personnel		
1. Project personnel	15	10
Sub Total	100	82
Priority Questions		
Competitive Preference Priorities		
Competitive Preference Priorities		
1. CPP 1	15	12
Sub Total	15	12
Total	115	94

Technical Review Form

Panel #1 - 2014 CESCO - 1: 84.354A

Reader #4: *****

Applicant: Charter Schools Development Corporation (U354A140009)

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:

Strengths:

(a) The applicant proposes to offer assistance to charter school financing at 100 % LTV based in part on nontraditional collateral and plans to finance leasehold improvements. This 100 % financing will be in lieu of cash equity normally required by most lenders. They also plan to offer interest rates in the 4-7% on loans. They also plan to offer and amortization periods of up to 25 years. Page9

(b) Project goals and objectives are clearly specified and measurable. See page 9-10. Subordinated debt will reduce overall financing costs by an average of 2-4 %. They plan to serve 35 charter schools and leverage a minimum of \$83.5 mm in loan capital during the grant period at a leverage ratio of 17:1

(c) The applicant has significant experience administering CEP grant funds successfully having received three past CEP awards. Given their program knowledge and the high leverage fund ratio they have achieved in the past they are highly likely to achieve program success. Their local model also proposes the use of project partners also include Building Hope another CDFI, The Albertson Foundation, and the Rural Opportunities consortium of Idaho. See E35,36

(d) The applicant proposes to utilize a program model that it used with earlier CEP grants that have already been

replicated. See page 16

- (e) The applicant has essentially focused on the use of Title 1 criteria for selecting what schools they plan to assist so they are highly compliant with regulations concerning this criterion. They plan to extensively underwrite each school, review their business plan and use this data to predict and track academic and operational outcomes. See Page 17
- (f) The applicant plans to leverage the grant at a ratio of 17:1 to provide \$83.5 mm in financing to 35 charter schools during the project period. They also have successfully attracted significant program related investment funds which will extend the reach of their financing activities and lower the risk exposure. Given the fact that they are also focusing on rural schools, the applicant expects many of the institutions in this sub segment to qualify for subsidies under the USDA, Rural Development Community Facilities Loan Program. See Page 19
- (g) The applicant has a history of providing assistance to schools in states ranked by the National Alliance of Charter Schools ranked high in the strength of their charter laws. They plan to continue this focus with this grant, looking to deploy a minimum of 65% of its funds in states with an A or B Rating, or in the top 50th percentile.
- (h) Based upon their previous grant administration history, the project costs are reasonable in relation to proposed activities
- (l) The applicant only partially addresses this criterion.

Weaknesses:

Weaknesses :

- (a)The applicant fully addresses this criterion.
- (b)The applicant did not provide a project timeline which included program milestones.
- (c)
- (d)The change in focus from urban to rural will have an unknown effect on project replication
- (e)The applicant does not talk about the amount and types of assistance.
- (f)The applicant fully addresses this criterion.
- (g)
- (h)
- (i) The logic model is addressed in narrative fashion but no quantitative data is included regarding inputs, outcomes and a process is included.

Reader's Score: 30

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:

Strengths:

- (a) The applicant has a focus on serving rural charter schools. Outreach to these schools, and input from letters of support indicates they have a lack of cash available to meet standard equity requirements of lenders. The applicant plans to meet this need and provide access to funds that would otherwise not be available. See page 24
- (b) The applicant has letters of support evidencing program input from interested stakeholders, charter schools, state charter school networks, and charter school board members.
- (c) The applicant plans to offer a spectrum of technical assistance focusing on foundational program topics like financial modeling, growth and business planning, budgeting, forecasting, cash flow analysis, cost benefit analysis and financial performance at no charge which will enhance the recipient's operational and financing strategies. The applicant will also offer interest only financing rates during construction periods. See E44
- (d) The applicant has clearly established a high standard of need for rural charter schools who are challenged by aging and outdated facilities as well as a lack of access to financing for leasehold improvements at competitive financing rates. See page 28-29

Weaknesses:

Weaknesses:

- (a) None
- (b) None
- (c) The applicant addressed this criterion in part in that it plans to provide standard market fees for loan origination as opposed to below market fees.
- (d) The applicant did not include information on the specific criteria it would use for assisting charter schools with a high likelihood of success.

Reader's Score: 13

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) The applicant has a strong history of successfully serving high impact, high quality charter schools. They are a large recipient of CEP grant funding having received a total of \$23.6 million in three previous funding rounds. Grantee performance reports are appended to the application.
- (b) A review of the audited financial statements provided by the applicant reveal a strong financial organization with no issues of noncompliance with Government Auditing standards of internal control deficiencies. Their credit products are in high demand with an 85% organizational deployment rate.
- (c) The applicant has written underwriting portfolio monitoring and financial management policies. The applicant's Board reviews and approves financial account policies and procedures.
- (d) The applicant has significant educational expertise in its Governing and Advisory board.
- (e) The applicant has a written conflict of interest policy in place covering Board activity. Staff conflicts are not addressed therein. See E55
- (f) The applicant is not applying as a consortium.
- (g) This criterion is not applicable.
- (h) The applicant has an effective history of deploying funds in previously awarded CEP grant awards. Grantee performance reports are appended to this application.

Weaknesses:

- (a) The applicant fully addressed this criterion and no weaknesses are noted.
- (b) As a CDFI, they should have included their CARS rating.
- (c) It would be useful to have more specific information about which specific loans/schools are at risk in light of the fact that they have had 9 school loan defaults. Further information on this issue would be useful here to intelligently address possible geographic concentration of risk.
- (d) Additional in house educational expertise would be helpful here.
- (e) The applicant has addressed this criterion in part. No information addressing the issue of staff conflicts of interest is provided. See E55
- (f) The applicant uses the strengths of Building Hope to augment program capacity but no formal agreement is in place. The applicant does not also provide financial data on Building Hope.
- (h) The applicant does not provide performance data on Building Hope.

Reader's Score: 29

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) The applicant's project team is strong and experienced in this program area. Team expertise is augmented by knowledgeable support staff and a Governing Board.
- (b) The staffing plan for the project is addressed very generally in narrative format on page 43. It includes the identification of the project manager.

Weaknesses:

Weaknesses:

- (a) The applicant's Governing Board has strong banking and financial services expertise. Only two of the Board members exhibit some charter schools management expertise.
- (b) The applicant addressed this criterion in part. More detailed information about the staffing plan in the form of program responsibilities and milestones would be helpful here.

Reader's Score: 10

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:

Strengths:

- (a) The applicant will target and provide financing to public charter schools enrolling and serving a majority of students in geographic areas with a large number of underperforming public schools.
- (b) The applicant does not limit its geographic coverage but it does have strong relationships in certain states where a large proportion of schools have been identified for restructuring.
- (c) The applicant will target services to public charter schools enrolling and serving communities where a large proportion of students are eligible for free or reduced school lunches.

Weaknesses:

Weaknesses

- (a) ESEA waivers are not addressed.
- (b) None
- (c) The percentage information about who is served is missing here.

Reader's Score: 12

Status: Submitted

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