

**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:** Local Initiatives Support Corporation -- EFFC/ Education Programs (U354A110002)

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

	Points Possible	Points Scored
<b>Questions</b>		
<b>Quality of project design and significance</b>		
<b>Selection Criterion</b>		
1. Question 1	35	30
<b>Sub Total</b>	35	30
<b>Quality of project services</b>		
<b>Selection Criterion</b>		
1. Question 2	15	12
<b>Sub Total</b>	15	12
<b>Capacity</b>		
<b>Selection Criterion</b>		
1. Question 3	35	33
<b>Sub Total</b>	35	33
<b>Quality of project personnel</b>		
<b>Selection Criterion</b>		
1. Question 4	15	13
<b>Sub Total</b>	15	13
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority</b>		
1. CP Question 1	15	9
<b>Sub Total</b>	15	9
<b>Total</b>	115	97

# Technical Review Form

Panel #1 - Panel 1 - 1: 84.354A

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

Applicant: Local Initiatives Support Corporation -- EFFC/ Education Programs (U354A110002)

## 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 this proposal includes some adjustments to existing loan funds that will allow charter schools to continue to receive funds at better rates than without the assistance. The market has put stricter requirements in place that make it more difficult to obtain financing, so the applicant has responded to that need. Pg. 4

Goals and objectives are clearly stated and measurable with a suggested time frame for implementation. The goals indicate the applicant will attempt to focus on charter schools that are located where district schools are poorly performing. Pg. 11-12

The applicant has formed many partnerships while utilizing previous Department of Education grant funds. These partnerships include community development institutes, private foundations, banks, and other investment groups. These collaborations will continue throughout this grant cycle. Pg. 4-6

Attachment 7 provides a good example of each criterion the applicant will use to select charter schools to receive assistance. The applicant will provide financing to start-up charter schools and certain projects that are considered risky, such as leasehold improvements and financing where there is little collateral. Because these loans are risky the LTV will

not be as high as more traditional loan products, but the charter schools will be able to receive financing . The applicant will also provide bond and mortgage financing for more established charter schools. The narrative does provide projected loan amounts for each type of finance product. Pg. 8-10, Appendix

The applicant indicates three criteria that it will assess relative to state charter laws to determine if that law is strong enough to support quality charter schools. In addition, the applicant will utilize existing literature from national organizations as another reference as to the strength of each state's law. Pg. 16

With the pipeline of schools the applicant has in place, the loan amount is appropriate to meet future needs. Pg. 18

The proposed leverage amount is 12:1. The applicant is targeting additional money from private foundations and other government funding streams to ensure this leverage goal can be met. Pg. 15-16

**Weaknesses:**

The timeframe and implementation plan as presented are very vague and there is no information on how the partners will be utilized in the implementation of the program. More specificity on these sections would have been beneficial. Pg. 13

There is no indication of market rates for loans and fees. This information would have been beneficial for comparison purposes.

While the applicant states they will be replicated, there is no discussion as to how the replication will happen. Pg. 14

Given the fact that the applicant has access to PRI funds, it would seem that the program costs would be lower.

**Reader's Score: 30**

**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:**

The applicant indicates that only a few states with charter law provide any type of facility funding making the need for alternate financing crucial. In addition, financial markets are presently requiring additional guarantees for charter schools due to instability in the market in general, hence the need for this grant program. Pg. 19-20

Throughout this applicant's history of working with charter schools, they have tailored their products to fit the need of their clients. This new grant proposal will provide additional funds to further increase credit availability to charter schools. Pg. 20

A survey of charter schools, chartering authorities, and CMOs was done to ascertain ideas regarding the design of this project. Pg. 21

Because the applicant has a well-established infrastructure, services required for this project will be absorbed by staff. The local program offices of the agency will further assist charter schools through the process of securing financial backing as needed. In addition, the applicant has secured money from a private foundation to support this effort, so costs of technical assistance to charter schools will be minimal. Pg. 22

In addition to focusing efforts on charter schools in distressed areas, with failing district schools, the applicant will consider a charter school's academic performance when evaluating for eligibility. Pg. 12/Attachment 7

**Weaknesses:**

The majority of the letters of support are copies of each other. While the applicant has provided many letters from a variety of sources including CDFIs, CMOs, banks, foundations and support organization, very few are original. Attachment 16

More specificity as to what type of technical assistance the applicant will provide to the charter schools would have been helpful. Pg. 22

Results of the survey of charter schools and support organizations should have been included in the application.

**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 applicant has over 30 years of successful real estate development programs, some located in extremely depressed areas of the country. Pg. 23-24

Strict underwriting guidelines and monitoring of all loans depending on their risk level has helped the applicant realize a loan loss of less than 2%. Procedures are in place to closely monitor loans made to all charter schools but specifically to more risky charter schools. Pg. 25

The presence of the local program offices, spread over the country, allow the applicant to have quicker access to charter schools being serviced or considered for service. In addition, personnel at the local program offices are able to monitor more closely and quickly the performance of the charter schools in their area and intervene as necessary. Pg. 29

The applicant has a specific internal group assigned to watch and interpret data on charter school performance both academically and financially. Pg. 31

Conflict of interest policies are in place for both board members and personnel. The applicant has a conflict of interest questionnaire to assist in the event of an actual or perceived conflict. Attachment 31 a-d

The applicant has had success collaborating with lending, philanthropic and non-profit institutes during previous grants. The applicant continues to search for additional collaborators, and is in discussion with several groups that are interested in working with the applicant on this new project. Pg. 32-33

Relationships have also been formed and continue to be cultivated with charter support organizations such as state charter school associations and CMOs. The applicant seeks out groups that can bring vital services to charter schools and the large charter school community. Pg. 33

The applicant has an increasing balance sheet with \$40 million in total assets. There are controls in place to ensure the organization remains fiscally sound. pg. 24-25

The applicant has had several grants from the US Department of Education and has met or surpassed their leveraging and fundraising goals on each grant program. Pg. 34 and Attachment 32

### **Weaknesses:**

While the applicant has been successful in underwriting charter schools in the past, it is not clearly articulated what kind of educational expertise is present in the company. The resumes presented do not indicate a level of educational expertise in any of the staff members. pg. 31 and Appendix

**Reader's Score: 33**

### **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 application gives a detailed description of existing personnel and their current responsibilities. This staffing plan will support the new program. Additionally, other established areas of the company will continue to lend support to this division. Pg. 37-38

The project director has a variety of experiences in the real estate and financing markets. She has worked for a CMO as a financial manager assisting the group with facilities development. Pg. 36

Other members of the project team have significant experiences in the financial market as well as affiliations with educational providers. Pg. 36

**Weaknesses:**

More in-house educational expertise would be beneficial to the applicant. It is not clear from the application if the field office staff members have educational expertise.

**Reader's Score: 13**

**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 they will target the three areas of the competitive priority. In addition, the eligibility checklist that is used to evaluate charter schools that apply to the fund offers extra points for two areas of the competitive priority. Pg. 2 and Attachment 7

**Weaknesses:**

Much more specificity is needed in each of these areas. The applicant should have given a percentage of students who don't meet the state assessments that will be used as a target for consideration.

Data on targeted geographical areas should have been provided relative to each area of the competitive priority.

**Reader's Score:** 9

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Applicant: Local Initiatives Support Corporation -- EFFC/ Education Programs (U354A110002)

## Questions

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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. The Applicant created revolving loan funds and capitalized them with grants from private foundation that they re-lend below market directly to charter schools. These funds are credit enhanced with the ED grant funds. This strategy and model gives the applicant the flexibility to offer below market rate and terms to the charter schools (p. 3-6) For example, the applicant may fund a debt service-reserve fund if that is what the school needed or may provide direct loans with below market rates or longer flexible terms. (p 7-9)
2. The applicant identified five goals and related measurable objectives with timelines that will provide a standard again which success will be measured. These goals are: to provide credit enhancements to charter schools that encourages flexibility in financing uses; to commit by increasing high quality educational opportunities to most in need; to expand products most in demand, create innovative models for increasing charter schools access to facilities financing; to preserve ED grant funds by utilizing rigorous underwriting by leveraging the funds to address credit needs for many schools; and to leverage ED funds with new and additional sources of private capital. (p. 10-13)
3. The Applicant has over 30 years of experience and history leveraging private and public capital and they created a National Credit Enhancement Program (CEP) and National Education Loan Fund (NELF) for financing charter schools. Therefore, the likelihood of success with this fund is extremely high. (p. 13)
4. The applicant's model of leveraging private funds, approach to monitoring and documentation, and their credit

enhancement model to borrow at below-market rates and offers financing for riskier charter schools projects may provide replicable model for investing in high-risk charter school facilities. (p.14)

5. The applicant selection criteria targets investment in high-quality schools in low-income areas with the greatest need. The priority projects will be based on: 1) percent of students eligible for free or reduced lunch, 2) Schools located in a district identified for improvement under NCLB, an area which students perform poorly on state exams, or an economically distressed area, and 3) a strong academic quality of school.( p. 15) The applicant is offering the following types of products: leasehold improvement loans, bond mortgages, and credit enhancement.

6. The applicant leverages private funding at a ratio of 12:1. Most of the financing will be targeted to schools that face the most difficult obstacles accessing facilities financing due to their location in low-income communities, new schools, and low enrollment. (p. 15)

7. The applicant will serve states with the strongest laws and most active charter associations because they produce the most successful schools. The national charter schools rating agencies that the applicant uses for their criteria are the Center for Education Reform and the National Alliance for Public Charter Schools. CER and Alliance rank states according to a scale, making it easy to check states rank on the criteria. (p. 15) Second, the applicant will serve charter schools in states that 1) ensure accountability of schools for reaching clear and measurable objectives, 2) Have multiple authorizers or strong appeals process, and 3) Give schools a high degree of fiscal autonomy. The applicant will determine if the state is a grant recipient of the Public Charter Schools Program. (p. 16)

8. The requested grant amount is reasonable because the applicant will maximize the amount of money by leveraging private 12:1 ratio. Secondly, the applicant is a national organization and they serve many charter schools across the country. The organization has the capacity; experience and strong balance sheet manage this process.

#### **Weaknesses:**

- 1) The applicant did not fully reference what rate or terms they would like offer the loans or credit enhancement program.
- 2) It is unclear how many schools applied for financing assistance could not meet their own facilities financing needs without the CE programs.
- 3) The applicant did not fully address the selecting criteria for determining the type and amount of assistance to be given.
- 4) The applicant did not mention how the partners will assist with the implementation plan. There needs to be more details.
- 5) The program cannot be replicated nationally by another organization because this project is localized.
- 6) The applicant did not provide market rate costs to compare with below market rates.

**Reader's Score: 30**

#### **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 applicant services are based on the identified needs of the charter schools they serve. According to the applicant's 2010 Landscape report, charter schools facilities financing options are still limited. Most schools district with charter law do not provide a per pupil funding stream for facilities. The applicant received feedback from borrowers and lenders in the charter school financing market. They also have a better understanding of the market conditions because of experience. The applicant designed products & services to provide better flexible financing terms for their clients. For example, they provide 90% LTV, longer amortization periods, lower interest rates, and a variety of security structures. They also offer short-term loans for leasehold improvements and longer-term loans for acquisition, renovation, construction projects, and credit enhancement for bond investors. (p. 19-20)

2) The applicant surveyed their contacts in their targeted markets nationally from various charter schools. They received letters of support for the grant application from various stakeholders including charter management organizations, individual charter schools, charter support organizations, and investors. They also have an advisory board, which consist of members from the various communities they serve. (p. 21)

3) The applicant does not have to dedicate additional resources to operate this fund because they have committed support from the Gates, Walton Family Foundations, and Chase. The CEP IV loan fund will be integrated into their existing work. The project will take advantage of current infrastructure including field staff, credit committee, loan servicing, legal, & monitoring departments. The applicant will provide all of these services at no additional cost to the schools. The EFFC will also continue to provide technical assistance that will be integrated into their existing and on-going work with other organizations. They received grants from Chase and WFF; therefore, they did not have to commit additional resources for technical assistance. (p. 21) They will provide through analysis of a school's pro formas and will ensure that the school does not take on more debt than it can afford on these facilities. (p. 21-22)

4) The applicant currently operates in 27 communities across the country on a daily basis, therefore their local program officers will ensure that the high quality and high need charter schools receive assistance. The applicant will target charter schools in low-income areas that have the greatest need for choice under NCLB, which is in line with their mission. The applicant will support schools associated with high quality CMOs and independent schools. The criteria for selection will be based on what they are already using for other charter school funds. They will review individual school academic and financial performance, the status of the school's charter, the quality of the school's educational program and the qualifications and experience of the school's leadership team. (p. 22-23) See attachment 7 , table 4 for details.

**Weaknesses:**

1)The applicant did not fully describe the type of technical assistance they will be providing to the charter schools.

2) The applicant should demonstrate how and when the stakeholders were extensively involved in the design of this project.

**Reader's Score: 13**

**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 has 32 years of experience and is the largest nonprofit CDC support organization in the nation. The applicant's experiences include but are not limited to developing urban and rural areas, and demonstrated experience in real estate finance. They form partnership with affiliates to invest \$1 billion in equity, loans, and grants nation-wide that has leveraged over \$34 billion in total development. The applicant has direct experience in educational facilities development with focus on charter schools. The applicant has closed over \$107 million in grants, direct loans, and loan guarantees for charter schools facilities in 16 states and one of the largest providers of facility financing in the sector. (p. 23-24)
- 2) The applicant is financially stability and sound based on their 2010 financial statements. They have solid financial performance in 2010 and a strong balance sheet. Considering, 2010, was a difficult economic year, the applicant ended in a much stronger financial position that it began. In 2010, their net worth increased to \$37 million from \$27 million, total assets declined from \$147 million to \$140 million because of timely difference. Private investors, lenders and donors are attracted to the applicant because of their strong fiscal control which is like a for profit organization. The applicant is strong financially because they have rigorous risk management policies and procedures in place. (p. 24-25)
- 3) The net loan loss rate was less than 2%. This was great because they make high-risk loans that traditional lenders are reluctant to make. To date, no charter school loans are delinquent. The applicant has current strong underwriting expertise that understands the nature of the loans made to CDCs and loan management structure to effective lend to these groups. (p.27) They have loan and portfolio monitoring and financial management policies and procedures system in place to mitigate risks. They provide technical assistance to schools as needed and brokering other financing resources. (p. 25-27)
- 4) The applicant and its EFFC program have the expertise in charter school underwriting to evaluate the likelihood of success of a charter school. The applicant is well versed in interpreting the extensive and growing body of data on charter school academic performance and strengths authorizes nationally. The NCLB law requires schools, districts, and states to report on academic performance annually. (p. 30-31) The applicant has established partnerships with several organizations that have experience and expertise in education and contribute unique resources.
- 5) The applicant staff and board abide for the standards of conduct and the conflict of interest policies for personnel and board of directors. These policies require staff and board members to disclose of direct or indirect financial or interest in clients. (p. 31)
- 6) The applicant forms collaborations and working relationships with variety of organizations that contribute resources and expertise to charter schools facilities financing. The applicant has relationships with various private lenders and investors

that look for a financial intermediary with expertise, local knowledge, and delivery system to work with. The applicant also have not financial relationships with state charter associations who act as referral agencies, nonprofit charter school developers, high quality CMOs, and philanthropic organizations that support charter schools. (p. 32- 33)

7) The applicant received \$26.5 million in grant funds from ED and met and surpassed the leveraging and fundraising goals in all Performance Agreements. The financing ratio is 15:1. The loan loss ratio for funds is zero to date. (p. 34)

**Weaknesses:**

The applicant does not have an in house expert education professional staff to assist with underwriting and advising on educational issues.

**Reader's Score: 33**

**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's CEP project team comprised of highly skilled professionals who have the relevant training and experience in financing charter schools and underwriting required to successfully fulfill the project's goals and objectives. The team has developed expertise in evaluating the educational and authorizing components of this unique credit. The applicant has underwritten individual charter school transactions and 19 local fund investments and this is the same team that will work on thus CEP IV project when funded. (p. 35)

2) The team will be managed by Reena Bhatia, Vice President for Education Programs, Kathy Olsen, Director of the Education program; Ariel Golden Behr, Senior Program Officer; and Charlie Wolfson, Program officer.

**Weaknesses:**

The applicant does not have an in house expert on educational issues. They would want to hire a consultant that has the expertise and experience or hire staff at the local level with the educational experience.

**Reader's Score: 13**

**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 states they will target services to local districts or individual schools within the district identified for improvement, corrective action or restructuring under Title I of NCLB. (p. 2)
- 2) The applicant plans to recruit students from geographic region in which large number of students do not meet proficiency on state academic assessments. The staff will verify the information because the NCLB requires school districts to make it available publicly. (p. 2)
- 3) The applicant plans to target actual student population that includes large number of students that qualified free or reduced lunch, a standard measure for low-income status. (p. 2)

**Weaknesses:**

The applicant indicates that it will target local districts or individuals schools from which to draw its students, but it did not specifically state it will target students that perform poorly in those districts.

The applicant does not have any research or market data on any the priorities listed. There is also not targeted percentage stated for the priorities.

**Reader's Score: 10**

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**Status:** Submitted  
**Last Updated:** 06/14/2011 06:34 PM

Status: Submitted

Last Updated: 06/14/2011 06:31 PM

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

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

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- (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 states that due to the high risk of charter schools, investors and lenders are less likely to be interested in charter school financing. The use of ED funds to credit enhance funds for the project will attract investors and lenders.

LISC does a very good job listing goals and objectives with measurable criteria. They are built on the experience of the existing program.

The applicant explained the private-public ratio of funds for each activity. It projects that a ratio of 12:1 will be experienced. The NCLF activity would serve 80 schools, while the CSGF would serve 57.

The applicant provided an Eligibility Criteria Worksheet as a tool to help it prioritize schools for financing (Attachment 7). This tool is useful for the applicant for selecting schools by need.

LISC will use information from PCSP, CER, and the Alliance to target states with strong charter laws. Additionally, LISC intends to serve schools in states with multiple authorizers, ensure accountability and measurable objectives, and schools with a degree of high fiscal authority.

Given the applicant's strength with finance and charter school program implementation, and the objectives outlined in this application, the grant amount is reasonable.

The amount of assistance to be given is outlined in the narrative which includes leaseholds, bonds, and mortgages.

**Weaknesses:**

No points will be deducted from the score relative to this comment: the use of acronyms is very confusing when reviewing. The applicant should minimize the use of acronyms, provide a reminder of the acronym on each page it is referenced, or provide a definition sheet as a tool.

Although there is credence to the applicant's statement about attracting lenders and investors to charter school financing, given the applicant's experience and size, the applicant should be able to attract better terms and rates for projects. It did not address the expected rates and terms given these factors.

LISC identified several lenders and foundation organizations that it communicated with about funds, but it did not outline a partner structure (page 14).

The applicant did not clearly discuss how it could replicate the program across the nation. It only tangentially touched on replication, stating that each school would need to be adjusted at the local level.

While elements of a plan are present, the applicant should include more detail and summarize the implementation plan.

Relative to the project costs, the applicant did not identify the market rate value of the costs for comparison.

The timeline is very simple. It does not include tasks and detail about when activities will be accomplished to further objectives and goals.

**Reader's Score: 30**

**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:**

LISC surveyed charter schools and members associations to identify the needs of charter schools. This direct information is the best information to help the applicant design a program.

LISC maintains \$4.1 million to provide grants and recoverable predevelopment grants to schools to assist with real estate development. Additionally, LISC provides TA through the underwriting process to assist charter schools. This Seed Fund reduces costs for charter schools.

LISC identifies the manner by which it will prioritize projects. It provided an Eligibility Criteria Worksheet which assists in the selection process by focusing on charter schools with a likelihood of success and the greatest need.

**Weaknesses:**

The applicant discusses lessons learned and the needs of charter schools in general, including: the need for more flexible financing terms including LTV ratios of 90%, longer amortization periods, lower interest rates, a variety of security structures, more direct financing for charter schools, widespread acceptance of charter school credit within the tax-exempt bond market. Although these items were briefly identified, LISC did not clearly tie them to the proposal (page 19-21).

The applicant received 42 letters of support from organizations involved with financing charter schools. Those organizations representing charter schools should have provided direct input into the design of the project.

Relative to the letters of support, it was not possible to determine what some of the organizations were, or how they contributed to the process from the cookie cutter letter or the acronym/name of the organization.

Given the size of the applicant and its resources, LISC did not discuss a range of TA services it could provide and how they would reduce the cost to charter schools for increasing access to facilities financing, including the reasonableness of fees and lending terms.

**Reader's Score: 13**

**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 applicant has over 30 years of experience in community development, including recent involvement with charter schools having closed on over \$100 million for charter schools in 17 states. The experience included loans, grants, and credit enhancement.

LISC is financially stable determined by an analysis of the audited financial statements.

The applicant has a low loss on loans made in the past, including the current financial crisis. LISC maintains a healthy loan loss reserve (allowance) of \$13 million, 8% of loans outstanding.

Although the applicant is not applying with applicants, its partners provide funding in the form of grants to cover the administrative costs above the .25% of federal funds allowed by law.

LISC developed underwriting, risk and financial management, and portfolio monitoring guidelines for all of its activities. Additionally, it has developed procedures and systems to administer and monitor financial and related operational activities.

The applicant maintains Conflict of Interest Policies for Board members and personnel.

Three past performance reports for FY 2010 were reviewed, and no problems or findings were observed.

**Weaknesses:**

The applicant does not retain internal educational experts. This lack of education expertise may keep the applicant from directly evaluating the likelihood of success of a charter school relative to education (not project financing).

**Reader's Score: 34**

**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 project personnel assigned to the project have good credentials in finance. On top of those identified immediately for the project, LISC included seasoned LISC staff familiar with its systems, policies, and operations.

The applicant provided resumes and bios of staff associated with this initiative. Several have experience in education including: work at a CMO, work at an after-school service provider, and work at an early childhood facilities. One has a Masters of Education bringing direct theory to practice.

The applicant will utilize its National Advisory Board to solicit ongoing input from funders and stakeholders. It will also use its Board of Directors to set the development goals that meet the need of the targeted communities.

**Weaknesses:**

Although LISC is well established nationally and maintains local field offices, the project staff and personnel narrative seemed very rigid and common, not specifically written for the application. Deferring expertise to each project in the field reduces the strength of the organization and the opportunity for replicability.

**Reader's Score: 14**

**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, at a minimum, stated that it will target charter schools using the three federal criteria (corrective action, poor academic assessments, and low-income communities).

Eighty-eight percent (88%) of the schools served to date or in its immediate pipeline are in communities with the greatest need for public school choice (using the three federal criteria).

The applicant provided an Eligibility Criteria Worksheet as a tool to help it prioritize schools for financing (Attachment 7). This tool is useful for the applicant for selecting schools by need and the amount that would be financed for each school.

**Weaknesses:**

While the applicant addressed the criteria, it did not present a method for achieving the goals of the three federal criteria.

No data or information was provided about the populations to be served in each of the three competitive preference priorities.

**Reader's Score: 10**

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