

Innovations In Financing

Presenters: Joseph Neri and Jill Levine

IFF

The session focused on the IFF Charter School Capital Program, which is a model for using school financing as part of a comprehensive community development strategy. They discussed the program's continuum of financing for charter schools and the credit-enhanced bond program, which is a nationally recognized innovative financing tool.

Summary

- Charter schools are a nonprofit sector that did not exist until 15 years ago.
- IFF developed the expertise to help them overcome access to capital.
- Challenges include: They are considered startups, they have limited charter terms, they have loan-to-value problems, they lack experience in development and the timing for development and financing has to occur concurrent with the beginning of the school year or they have to wait until the following school year.
- Continuum of financing begins with a direct loan to the school, then participation in pooled bonds followed by standalone bonds. After 10 years in a standalone bond program or two charter renewals, schools enter into non-credit enhanced bond financing.
- Features of IFF startup charter school loans include lease-hold improvements financing, gap financing, subordination to commercial banks, loan terms that are not tied to the charter term, a 5 percent equity requirement and no fees, points or prepayment penalties.
- IFF designs a financing structure particular to each school through creating access to affordable capital, leveraging real estate experience and relationships, monitoring construction, and introducing bank partners.

Memorable Quotes

“We were created to get rid of capital and real estate barriers that were impeding public policy.”
-- Joe Neri

“Nonprofit sectors could be the key to change urban education.”
-- Joe Neri

“It's not the value of the building. It's about the value of the education.”
-- Jill Levine

Conclusion and Remaining Questions:

- IFF has adopted a green policy. They are seeing new pots of money for green projects.
- IFF helped to create a standardized application.
- IFF is the first CDFI in the country to apply the credit enhancement grant so that charter schools can access the tax-exempt bond market at terms similar to what traditional public school districts enjoy.

- IFF is a market leader in creating access to affordable capital, leveraging real estate experience and relationships and doing whatever it takes to monitor construction and to move the transaction to closing.