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LISC makes first-ever loans to charter schools under federal bond guarantee program designed to revitalize neighborhoods

National nonprofit is supporting schools in Newark, Albany

NEW YORK (February 2, 2015)—The Local Initiatives Support Corporation (LISC) is helping expand educational opportunities for low-income children in Newark and Albany by tapping a unique federal credit program to finance charter schools. These are the first such loans in the country.

LISC recently closed on more than \$10 million in financing to develop facilities for schools that will serve nearly 1,700 students in the two cities. It is part of \$50 million LISC raised through the Community Development Financial Institution (CDFI) Bond Guarantee Program—a federal effort to help affordable housing and economic development projects get the long-term capital they need to revive distressed areas.

“If we want to lift standards of living for low-income families, we have to do all we can to make sure their kids can get a quality education,” said Michael Rubinger, LISC’s president and CEO. “Sometimes, that means helping enhance programs in existing schools, and sometimes that means supporting new facilities to help strong charter schools reach more kids. That’s what we’re doing here.”

LISC was among the first organizations approved under the CDFI Bond Guarantee Program, partnering with Bank of America as the qualified issuer. To date, the U.S. Department of Treasury has guaranteed \$525 million in bonds, whose proceeds are supporting community development efforts across the country.

“Charter school operators are particularly eager to access these new loans because their structure helps keep annual debt service costs low,” said Sara Sorbello, LISC’s national education director. With their longer terms and fixed relatively low interest rates, the loans allow the schools to devote more of their annual budgets to classroom activities, while they expand their facilities to serve more families.

“This kind of capital is hard to come by, even for the strongest charter schools,” she said.

In Newark, LISC’s \$6 million loan is supporting a new \$35 million campus on the site of an abandoned Boys & Girls Club in the West Ward—a highly distressed part of the city. The school is set to open in time for the 2016 school year. It will initially serve approximately 600 high school students, and will eventually serve over 1,000. KIPP NJ is part of the highly successful Knowledge is Power Program (KIPP), with 162 schools nationwide, including

seven in Newark and one in Camden. LISC partnered with Enterprise Community Loan Fund, Prudential, Building Hope and Partners for Common Good to move the project forward.

"We believe all Newark students deserve the very best education, and we are committed to serving the kids in the city who need the most help," said Ryan Hill, executive director of KIPP NJ. "Simply put, LISC's innovative lending programs and support of KIPP NJ ensure that more students will have access to a world-class education and have the opportunity to attend college. It's work that benefits communities and enables development efforts throughout the country."

Sorbello pointed to the connection between strong academics and a solid financial position for organizations like KIPP. "High-performing charter schools tend to be in a good financial position," she said. "These schools are good investments, in addition to being good for students and helping transform troubled neighborhoods."

LISC's \$4.3 million loan to the Albany Community Charter School (ACCS), part of the Brighter Choice Foundation network, further illustrates that point. The complex deal to finance the acquisition of a middle school site will help ACCS serve 600 students, most of them low-income. Brighter Choice has earned top rankings for test scores in the city, and its schools educate some 25 percent of Albany's public school students.

LISC has another charter school deal set to be funded through the CDFI program, with closing set for early 2015. All told, LISC has supported \$264 million in grants, loans and equity investments for charter schools around the country.

For more data on this sector, read LISC's [2014 Charter School Landscape](#) study, which looks at how charter schools fund their facilities. Data on credit performance history is available through LISC's studies of [Charter School Bond Issuance](#). Both point to the pressing need for affordable financing to help charter networks expand to meet growing need.

About LISC

LISC combines corporate, government and philanthropic resources to help nonprofit community development corporations revitalize distressed neighborhoods. Since 1980, LISC has invested \$13.8 billion to build or rehab 313,400 affordable homes and apartments and develop 51 million square feet of retail, community and educational space. For more, visit www.lisc.org.