

THE BOND BUYER

CHARTER SCHOOLS

Pandemic doesn't stall charter school fund's growth plans

By Keeley Webster February 01, 2021, 3:31 p.m. EST 3 Min Read

The majority of the charter schools that Equitable Facilities Foundation provides financing to carried on with plans to build schools despite the challenges wrought by the pandemic.

EFF, a 501c(3) social impact fund that leverages \$200 million in equity and backing it has from the Walton family, was only in its second year when COVID-19 hit.

Though some of the charter schools, who were seeking financing for school buildings, hit pause initially when states began closures in March, they resumed building plans a few months later, said Michelle Getz, who was named a partner this week.



Michelle Getz was named a partner in the fund Monday. *Equitable Facilities Fund*

THE BOND BUYER

The fund has loaned \$400 million to charters since its inception in 2019 and plans to hit \$750 million in loans by the end of this year. It has an A rating from S&P Global Services. EFF has made loans in 13 states and currently has 77 schools its portfolio.

Charter schools have issued roughly \$25 billion in bonds over the last decade compared to around \$1 trillion issued by traditional school districts, according to an estimate by the National Alliance for Public Charter Schools. The sector issued between \$3 billion and \$3.5 billion in 2020, according to EFF.

Getz, who came over from Nuveen as a chief credit officer when the fund was formed, was promoted to partner this week. Quince Brinkely was hired as investment principal of business development in November. Getz was one of the first people hired when Anand Kesavan, the chief executive officer and founder, formed the fund.

"Anand was the founder, inventor and creator of this new innovative project," Getz said. "I was his first official hire. The board is promoting me and establishing me as Anand's right-hand person to help him lead."

In August, the fund priced a \$141 million deal with RBC Capital Markets as lead manager that consisted of \$109 million of revolving loan fund revenue bonds for the Arizona Industrial Development Authority and \$32 million for the California Infrastructure and Economic Development Bank. The bond sale was its second.

The firm is approaching high net worth individuals and philanthropists to help grow the fund.

"We will get to \$2.5 billion by 2026 by raising more money and continuing to leverage the original \$200 million in creative ways," Getz said. "The Waltons are the only funder at this stage."

They plan to hit the bond market each year, but may sell bonds more often depending on market conditions.

"There continues to be strong demand in the market for charter school bonds," Getz said.

Like other issuers, charter schools took a pause on financing plans after states instituted shut-down orders of businesses in March 2020 that resulted in school closures in some states.

"I would say that COVID-19 has had an impact on so many things in our lives and it has impacted the education sector," Getz said. "The broader charter sector has been impacted. We tend to have a fairly strong cohort of schools we lend to."

THE BOND BUYER

The well-run charters have found a way to make it work even with the closures, Getz said.

“As far as borrowing, we have seen some pauses from schools, but most picked right back up,” Getz said. “I haven’t seen a massive drop off in people deciding not to move ahead on facilities.”

EFF’s model is to target high quality charter schools that provide educational opportunities that wouldn’t otherwise be available. The majority of the schools it has loaned money to range from A to BBB-rated, but it has also loaned to a few non-rated schools, Getz said.

“We look at the demographics of the students being served and the socioeconomic status, and at what kind of education the students would be receiving if the school weren’t there,” Getz said.

EFF received a “social” designation from Kestrel Verifiers for the bonds it sold in August.

Keeley Webster