

Build NYC Resource Corporation Finance Committee Discussion

The Finance Committee convened on February 14, 2020 to discuss the following projects:

- Friends of New World Prep, Inc.

Finance Committee Members: Jacques-Philippe Piverger, Barry Dinerstein, and Andrea Feirstein¹
Build NYC Staff Members: Krishna Omolade, Emily Marcus, and Noah Schumer

Start: 2:15 PM

End: 2:30 PM

Friends of New World Prep, Inc.

The applicant is Friends of New World Prep, Inc., a New York not-for-profit corporation (“Friends”) and its affiliate, New World Preparatory Charter School (the “School”), a New York not-for-profit education corporation exempt from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended, operating as a public charter school. The School is seeking approximately \$42,000,000 in tax-exempt and/or taxable revenue bonds (the “Bonds”). Proceeds from the Bonds will be used, as part of a plan of financing, to finance or refinance the costs of (1) the demolition of three existing buildings located at 15 Treadwell Avenue, Staten Island and comprised of the church building consisting of approximately 5,700 square feet, the office building consisting of approximately 8,400 square feet, and the gymnasium/cafeteria building consisting of approximately 8,200 square feet, as well as one existing building located at 2230 Richmond Terrace, Staten Island consisting of approximately 9,600 square feet; (2) the acquisition, construction, renovation, equipping and furnishing of new and existing buildings located at 26 Sharpe Avenue, Staten Island totaling approximately 47,900 square feet consisting of a new addition and approximately 17,300 square feet of renovations and improvements, all for general classroom and administrative use, together with related site improvements of approximately 42,000 square feet (the “Facility”); (3) the acquisition, demolition and site improvements of the adjoining structures and parcels located at 40 Sharpe Avenue, Staten Island with a residential structure consisting of approximately 1,536 square feet and 25 Treadwell Avenue, Staten Island with a residential structure consisting of approximately 1,232 square feet (collectively, the “Ancillary Facilities”), all to be used for temporary modular units during construction of the Facility for general administrative use and future educational programming expansion; (4) funding a debt service reserve fund and capitalized interest; and (5) paying for certain costs related to the issuance of the Bonds (the “Project”). Friends may lease the Ancillary Facilities to the School, and will lease the Facility to the School, with the Facility to be operated by the School as a public charter school providing educational services to students in grades K-8.

Ms. Feirstein asked how many students the school has, and where the school planned to educate the students while their existing facility was demolished and their new facility was under construction.

Ms. Marcus replied that the school has around 400 students currently, and that they plan to add around 75 students each year as they build out the grades. She added that the building that currently houses the middle school will not be demolished or disturbed during the surrounding renovations—certain administrative staff will be displaced by the demolitions, and they will be housed in temporary modular facilities on-site.

Ms. Feirstein asked whether school’s ambition to open a high school would necessitate further purchasing and/or construction of new buildings in the future.

¹ Ms. Feirstein and Mr. Dinerstein both participated by phone.

Ms. Marcus stated that the scope of the project currently before the committee would accommodate the school's projected growth.

Mr. Piverger asked whether the school's revenues would cover the bond payments.

Ms. Marcus stated that the anticipated growth in tuition revenues from new students would help cover the cost of construction, in addition to a few grants that they will receive and a small capital campaign.

Mr. Piverger asked whether there was a connection between the school and the Catholic Diocese, which sold the school the parcels of land for the project.

Ms. Marcus replied that there was no existing relationship between the school and the church, and that the school itself was not religious in nature.

Mr. Dinerstein asked if the school could be considered non-sectarian.

Mr. Omolade stated that yes, it could be considered non-sectarian, with no religious affiliation.

Mr. Piverger asked about the school's academic performance over the previous ten years.

Ms. Marcus stated that the school has tracked their middle school graduates, and that 75 percent are admitted to their first-choice high school, and the remaining 25 percent matriculate to one of their top three choices.

Ms. Feirstein asked about the reliability of the DOE charter school tuition reimbursement.

Mr. Dinerstein stated that that the DOE provides a five-year funding commitment, so in theory if the school underperformed, they could have their funding revoked. But, he noted, they were building a new facility, and if the school ultimately had their charter revoked, there would still likely be market demand for that land.

Ms. Marcus added that the school had had two charter renewals to date, and the most recent one was within the past year.

Mr. Dinerstein stated that it was always a possibility the DOE could determine any charter school was not up to snuff and wouldn't have their charter renewed, but that most Build NYC projects involving charter schools had strong academic records and were unlikely to fail.

Mr. Omolade added that Build NYC had done a number of charter school transactions in the past and hadn't yet faced the issue of a school having their DOE funding revoked.

The committee recommended the Project to seek authorization at the February 18th Board meeting.