

## **Build NYC Resource Corporation Finance Committee Discussion**

The Finance Committee convened on July 11, 2019 to discuss the following projects:

- Academic Leadership Charter School
- The Consortium for Worker Education
- Village Community School

Finance Committee Members: Barry Dinerstein, Andrea Feirstein and Jacques-Philippe Piverger  
Build NYC Staff Members: Krishna Omolade, Emily Marcus, Mac Thayer, Nicholas Lyos and Noah Schumer

Start: 4:05 PM

End: 4:35 PM

### **Academic Leadership Charter School**

Friends of Academic Leadership CS, LLC, a New York limited liability company (the "Organization"), that is a disregarded entity for federal tax purposes, having as its sole member Academic Leadership Charter School (the "School" and together with the Organization, the "Applicant"), a New York education corporation exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), together are seeking approximately \$30,000,000 in tax-exempt revenue bonds (the "Bonds"). Proceeds from the Bonds, together with funds of the School, will be used to (i) finance the construction, equipping, and/or furnishing of an approximately 60,000 square foot middle school facility that will house classrooms, a cafeteria, gymnasium, science lab, library, music room and art studio, and an approximately 12,000 square foot below-grade parking garage facility located on a 12,500 square foot parcel of land located at 356-62 East 139th Street, Bronx, New York (the "Facility"), (ii) fund capitalized interest on the Bonds, if necessary, (iii) fund a debt service reserve fund for the Bonds, and (iv) pay for certain costs related to the issuance of the Bonds. The Organization will own the Facility and lease it to the School. The School will operate the Facility as a charter school providing education services for Grades K-8.

*Ms. Feirstein asked if the school is currently co-located in two facilities and inquired as to whether this project would allow the school to place all students and operations under one roof.*

*Mr. Thayer responded that the school is co-located in two facilities. He noted that this project would finance the construction of a new facility, used by the school in addition to its existing facilities, allowing the addition of approximately 600 more students. This would eventually bring the total student population to more than 1,000 over a seven-year ramp-up period.*

*Mr. Piverger asked for clarification regarding the school's stated academic mission for 80% of students to perform at Levels 3 and 4 on their New York State assessments. Mr. Piverger asked if there was a comparison available between that mission and the performance goals of other schools.*

*Mr. Thayer stated that the school does have a broad-based mission to support all students, but that he would provide further details to the committee relating to the school's commitment to ensuring the academic success of all students, as well as comparative statistics.*

*Mr. Dinerstein asked if the new building would be for specific grades.*

*Mr. Thayer replied that the school originally anticipated that the new building would be for middle school students only, but now they were considering the full range of K-8, with a final decision forthcoming.*

*Mr. Dinerstein asked if the new facility would have subterranean parking, noting that many schools do not have indoor parking on-site, and asked for an estimate of the cost.*

*Mr. Thayer verified that the plan called for below-grade parking and stated he would provide more information on cost.*

*Mr. Dinerstein asked who parks in the lot near the new site.*

*Mr. Thayer stated that he believed the local NYPD precinct used some of the parking.*

*Ms. Feirstein asked what the school's source of revenue is and whether they are state-funded.*

*Mr. Thayer replied that the school received a per pupil stipend from the city of around \$16,000 or \$16,500. By nature of being co-located with other schools and not having the same mortgage and leasing expenses, the school has strong financial statements reflecting the accumulation of a substantial cash balance, which they will use to fund equity on the new project.*

*Mr. Omolade noted that the New York State Department of Education also provides a per pupil stipend of \$4,000-4,500 that goes towards rent.*

*Mr. Dinerstein asked if the school also raises private funding.*

*Mr. Thayer replied that the school raises only a very small amount of private funding, but that they also receive small (less than \$1 million) Title 1 and 2A grants from the federal government under the No Child Left Behind Act.*

*Ms. Feirstein observed that this project is a significant undertaking, but that it is also in line with other charter school projects recently approved by the board.*

*Mr. Dinerstein agreed that the project is similar to previous Build NYC charter school projects in scope.*

*Mr. Omolade concurred and added that this project is like the previous ones, except that one exception is the school has a fairly robust amount of cash available to help self-fund in addition to bond proceeds*

*The committee recommended the Project to seek authorization at the July 16th Board meeting.*

### **The Consortium for Worker Education**

The Consortium for Worker Education ("CWE"), a New York not-for-profit corporation exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, is seeking up to approximately \$8,500,000 in tax-exempt revenue bonds (the "Bonds"). CWE will use the proceeds from the Bonds, together with other funds contributed by CWE, to: (i) finance the acquisition, renovation, furnishing, and equipping of an approximately 9,476 square foot commercial condominium

comprising the entire third floor of a 20-story building located on an approximately 8,068 square foot parcel of land at 305 7th Avenue, New York, New York (the “Facility”), to be used by CWE for its workforce development and industry-specific training and employment services; and (ii) pay for certain costs related to the issuance of the Bonds.

*Ms. Feirstein stated that she wouldn’t have thought this organization were a 501(c)(3), noting that it seemed like it could simply be the educational arm of the New York City Labor Council.*

*Ms. Marcus replied that when looking at their sources of revenue, the vast majority of their funding comes from government contracts, not the union.*

*Ms. Feirstein asked if they receive any union funding.*

*Ms. Marcus replied that they receive a negligible amount, if any.*

*Mr. Dinerstein noted that the organization wasn’t moving far.*

*Ms. Marcus agreed that they aren’t moving far and noted the lower occupancy costs—reflected in an annual debt service cost below that of rent—at their new space as a main motivation for the move.*

*Mr. Dinerstein asked what services and skills the organization trains workers for.*

*Ms. Marcus replied that the organization trains for a wide variety of services, across sectors such as health care, construction, transportation, civil service, childcare, retail and tourism. CWE also offers apprenticeship programs, including partnerships with high schools that lead to union jobs.*

*The committee recommended the Project to seek authorization at the July 16th Board meeting.<sup>1</sup>*

### **Village Community School**

Village Community School (“School” or “VCS”), 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, as borrower, is seeking approximately \$21,000,000 in tax-exempt revenue bonds (the “Bonds”). The School will use proceeds from the Bonds, together with funds available to the School and capital campaign funds, as a plan of finance to (1) refund the Civic Facility Revenue Bonds, Series 2001 (Village Community School Project) issued by the New York City Industrial Development Agency (“NYCIDA”) in the original principal amount of \$6,500,000, of which approximately \$3,430,000 is outstanding, which were issued to finance a portion of the costs of the construction, renovation, and equipping of an approximately 21,000 square foot, four-story facility consolidating and expanding two existing facilities located at 272 West 10th Street and 276-280 West 10th Street, in New York, New York, all for use by the School as classroom and seminar space, a new gymnasium, and a sheltered rooftop playground, (2) finance the construction, renovation, equipping, and furnishing of a new three-story, approximately 20,000 square foot addition (which will also include a cellar level and with a rooftop play yard), and

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<sup>1</sup> *At the conclusion of the meeting, following a phone disconnection, Ms. Feirstein pointed out that the interest rate on CWE’s bond issuance should be clarified to be fixed for the first ten years, and re-priced thereafter, rather than fixed for the entire term of the amortization.*

*Ms. Marcus agreed that this should be clarified in the Board presentation.*

certain renovations and improvements to the School's existing facilities, on an approximately 18,600 square foot parcel of land located at 272 West 10th Street (the facilities described in clauses (1) and (2) being collectively, the "Facilities"), (3) pay interest on the Bonds during the construction period, and (4) pay certain costs related to the issuance of the Bonds (collectively, the "Project"). The Facilities will be owned and operated by the School as a non-profit independent private school educating students in grades kindergarten through Grade 8.

*Mr. Piverger asked about the distinction between what the Series 2001 bonds—which are being refinanced as part of this project—financed, and what the new construction is.*

*Mr. Lyos confirmed that the new debt will be used to refinance the 2001 bonds, as well as help finance the construction of a new building unrelated to the older project.*

*Mr. Piverger asked about the sizing of the new \$21 million issuance in relation to the existing debt.*

*Mr. Omolade replied that the school issued \$6.5 million in 2001, of which approximately \$3.43 million is outstanding.*

*Mr. Piverger asked about the higher cost of construction of the new project in relation to the previous one.*

*Mr. Omolade replied that the cost was higher*

*Mr. Dinerstein asked if the school had approval from the landmarks commission.*

*Mr. Omolade replied that they did.*

*Mr. Dinerstein noted that often when private schools construct additions, they tend to go overbudget. He asked about the staff's confidence that the school had hired a good construction team to complete the project within budget.*

*Mr. Lyos replied that the school had placed construction cost estimates on the high end to provide cushion in case the project was more expensive than anticipated. He noted that the school has occupied its current location since 1970 and has shown themselves capable of solid project management on past expansions.*

*The committee recommended the Project to seek authorization at the July 16th Board meeting.*