Build NYC Resource Corporation
Finance Committee Discussion

The Finance Committee convened on May 7, 2020 to discuss the following projects:

- Committee to Protect Journalists, Inc.
- Friends Seminary
- St. Francis College
- Union of Orthodox Jewish Congregations of America/Orthodox Union
- Young Adult Institute, Inc.

Finance Committee Members: Jacques-Philippe Piverger, Barry Dinerstein, and Andrea Feirstein[1]
Build NYC Staff Members: Krishna Omolade, Emily Marcus, Mac Thayer, and Noah Schumer

Start: 11:00 AM
End: 12:15 PM

<u>Committee to Protect Journalists, Inc.</u>
Committee to Protect Journalists, Inc. ("CPJ"), 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 approximately $7,000,000 in tax-exempt bonds (the "Bonds") to be issued as qualified 501(c)(3) bonds. CPJ is an advocacy organization that supports press freedom worldwide. The total project cost is $14,226,379. Proceeds from the Bonds, in addition to organizational equity, will be used to finance or refinance the costs of (i) the acquisition of one condominium unit, consisting of 12,277 square feet, on one floor (floor five) of a building located at 509 W 38th Street, New York, New York (the "Fa cility"); (ii) the refinancing of a taxable bridge loan in the amount of $2,200,000 that was used for the construction/build-out, furnishing, and equipping of the Facility; (iii) funding a debt service reserve fund and capitalized interest; and (iv) paying for certain costs related to the issuance of the Bonds. The Facility will be owned and operated by CPJ to be used as its headquarters, program and event space (the "Project").

Ms. Feirstein asked about the organization's fundraising efforts and the general state of their financials.

Mr. Schumer responded that the majority of their financing comes from grants and an annual gala, and that they have a substantial amount of cash on hand.

Mr. Dinerstein asked if they have a membership model or if they receive annual grants.

Mr. Schumer responded that the organization hosts an annual gala, solicits regular donations from individuals, competes for large grants, and hosts events.

Mr. Omolade added that the organization has an endowment of around $12.8 million.

Ms. Feirstein asked whether the debt service coverage ratio was calculated based upon the organization's 2018 financials, or whether it took into account the fact that they wouldn't be able to hold their gala in 2020 due to social distancing. She added that many nonprofits that rely on fundraising are struggling with their revenue projections amid current economic conditions.

[1] Note: the meeting was held over Zoom.

Mr. Schumer responded that the organization has $4 million in cash on hand for the project, as well as another $4 million in pledged donations, and that the organization had reported strong fundraising thus far in the first quarter of 2020, but that revenue projections could change going forward.

Mr. Piverger agreed with Ms. Feirstein that any organization beholden to fundraising was in a precarious position. He noted that this organization has a large endowment, which could provide a backstop for this project.

Mr. Dinerstein noted that this project has a strong debt service coverage ratio, whereas other projects on the agenda had slimmer margins.

Ms. Feirstein noted that the organization's long track record and relationships with foundations could help insulate them from some of the economic volatility at play, and she commended their mission.

Mr. Omolade added that the debt service costs that the organization would pay would essentially replace existing rent payments, as opposed to adding substantial new costs.

The committee recommended the Project to seek authorization at the May 12th Board meeting.

Friends Seminary

Friends Seminary ("Friends" or "School"), a New York not-for-profit education corporation, is seeking an approximately $25,000,000 tax-exempt note ("Note"). Proceeds from the Note will be used to refinance an outstanding $20,000,000 taxable bridge loan and to reimburse $5,000,000 in borrowed operating funds for costs incurred by Friends in connection with the $75,289,234 renovation, expansion and furnishing of three contiguous historic multi-story townhouse buildings (the "Townhouses") located on its campus at 212, 214 and 216 East 16th Street in Manhattan originally approximately 80,292 square feet and as expanded, 115,132 square feet (the "Project"). Friends completed the Project in 2019. The Townhouses will be used for educational uses including classrooms and meeting space. Proceeds from the Note will also be used to pay capitalized interest and to pay for certain costs related to the issuance of the Note. Friends will continue to lease and operate the Townhouses with its other campus buildings as a co-educational, independent day school serving students from kindergarten through Grade 12.

Ms. Feirstein asked whether the bonds had a thirty-year term, and why the bonds were being referred to as notes.

Mr. Thayer confirmed that this was a long-term fixed rate issuance.

Mr. Omolade added that for transactions involving First Republic Bank, the bonds were typically referred to as notes, but that the difference was largely semantics.

Ms. Feirstein asked what the refinanced debt was.

Mr. Thayer responded that it was a bridge loan from First Republic Bank that was being refinanced with the tax-exempt note.

Ms. Feirstein asked if the note would be privately held by First Republic Bank.

Mr. Thayer responded that his understanding was First Republic Bank intended to hold the bonds, and that the school and the bank had a strong relationship. Mr. Thayer added that it was a stable school with $30 million in recurring revenue from tuition and a strong balance sheet.

Ms. Feirstein noted that the school would benefit from the low interest rate on the thirty year bonds.

The committee recommended the Project to seek authorization at the May 12th Board meeting.

St. Francis College

St. Francis College (the "College"), 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, operating as a private college, is seeking approximately $50,000,000 in tax-exempt and taxable bonds (the "Bonds"), to be issued as qualified 501(c)(3) bonds. Proceeds from the Bonds will be used, as part of a plan of financing, to: (i) refund and defease bonds issued on August 20, 2010 by the Dormitory Authority of the State of New York ("DASNY") entitled St. Francis College Revenue Bonds, Series 2010 originally issued in the principal amount of $25,000,000 (the "DASNY 2010 Bonds"), the proceeds of which were used to finance a campus-wide program of constructing, reconstructing, renovating, installing, upgrading, equipping and/or repairing the interior and exterior of various academic, residential, science, arts and other of the College's facilities; (ii) refund and defease bonds issued on December 22, 2014 by DASNY entitled St. Francis College Revenue Bonds, Series 2014 originally issued in the principal amount of $12,585,000 (the "DASNY 2014 Bonds"), the proceeds of which were used to refund New York City Industrial Development Agency Civic Facility Revenue Bonds (2004 St. Francis College Project) originally issued on November 10, 2004 to finance the construction, equipping and furnishing of a new eight-story Academic Center consisting of a new library, fourteen technologically sophisticated classrooms, a performing and communications arts facility and a new meeting room aggregating 35,000 square feet on the College's main campus; (iii) finance and refinance various capital items of personal property on the College's campus including classroom furniture, energy efficient upgrades and information technology; (iv) fund Debt Service Reserve Funds and capitalized interest; and (v) pay costs of issuance with respect to the Bonds.

Ms. Feirstein asked for Ms. Marcus to repeat her rundown of the structure of the bond issuance, which had three series.

Ms. Dinerstein asked whether the college would incur fees by issuing the Series B taxable bonds and then soon after issuing Series C tax-exempt bonds to replace them, which they could save by issuing only tax-exempt.

Ms. Marcus replied that the priority for the college was issuing the taxable and tax-exempt bonds before the end of the current fiscal year, because the Series A bonds are currently callable, and it wouldn't make sense for the college to delay refinancing those bonds. It makes more sense to combine the entire transaction into one, despite the complications and potential fees.

Mr. Dinerstein asked whether the transaction could realistically close before the end of their fiscal year.

Ms. Marcus replied that the Corporation had been working with the college to close the transaction in a prompt manner.

Mr. Dinerstein noted that the transaction was secured by the value of the real estate, but that the college was a struggling institution.

Ms. Marcus replied that competition among institutions of higher education was intense, and that while the college offered an attractive tuition rate, they've been losing enrollment. However, the college had hired a consulting firm to help develop a new post-graduate studies program, which they expected to drive enrollment higher. Moreover, they have been success in transitioning online learning, including master's programs. Those factor, in addition to their eventual move to a new campus could be draw for additional students.

Mr. Dinerstein asked if the college is committed to staying in New York City.

Ms. Marcus stated that the college seemed committed to staying in Brooklyn, which is part of their brand and where they have more than a century of history.

Mr. Piverger asked about the Corporation's comfort level with the college's debt service coverage ratio.

Ms. Marcus states that the Corporation was comfortable. She added that the college's agreement with the purchasing bank included financial covenants that the college is required to meet, the first being a requirement to keep 40 million in cash/cash equivalent and investments on hand, and the second being to maintain a minimum enrollment threshold of 2,100 students per semester enrollment. Based on sensitivity analysis, the college and their financial consultants are confident that they can exceed those minimum requirements.

Mr. Omolade added that the college has an endowment of$ 70 million, almost twice as much as the minimum that the aforementioned covenant calls for.

Mr. Dinerstein asked whether the transaction could include a condition that the college stay within NYC for a length of time.

Ms. Marcus stated that part of the college's brand and selling point includes their Brooklyn location, and that they are priced like a public university, but are in actuality a private university. The college had also indicated that when they find a new location, will come back to Build to issue the financing.

Ms. Feirstein noted that a trend in higher education was for students to as for refunds for the past semester after learning had transition online, potentially impacting revenues. She noted that there could be concerns for their value proposition if they're fully virtual and not doing in-person learning during the pandemic.

Ms. Marcus agreed that this was a valid concern. She noted that Corporation staff had been in frequent communication with the college's CFO, who has stated that they've been able to make the transition to online learning. Moreover, only a small portion of the college's students are in on-campus housing. The college has also received a few million dollars from the federal CARES Act, as well as a PPP loan from the SBA, which will become forgivable. Those factors all support the college's financial health.

The committee recommended the Project to seek authorization at the May 12th Board meeting.

<u>Union of Orthodox Jewish Congregations of America/Orthodox Union</u>

Union of Orthodox Jewish Congregations of America, d/b/a Orthodox Union ("OU" or the "Organization"), 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, as borrower, is seeking approximately $60,060,000 in tax-exempt bonds (the "Bonds"), to be issued as qualified 501(c)(3) bonds. OU offers Kosher certification services, youth services and programs and educational programs, and the facility will be owned and operated by OU to be used as OU's headquarters and program space. Proceeds from the Bonds will be used to finance or refinance the costs of (i) the acquisition, construction, renovation, equipping and furnishing of one or more condominium units, consisting of 69,000 square feet, on two floors (floors three and four) of a building located at 40 Rector Street, New York, New York (the "Facility"); (ii) funding a debt service reserve fund and capitalized interest; and (iii) paying for certain costs related to the issuance of the Bonds. The proposed renovations of the Facility will include the build-out of offices and conference rooms, workstations, kitchens, and other work areas.

Mr. Piverger asked what the organization's main sources of revenue were.

Mr. Schumer stated that the majority of their revenue comes from their Kosher certification business. Mr. Schumer added that food manufacturers pay an initial fee to have their products Kosher certified, and then recurring fee to maintain certification.

Mr. Piverger asked about the debt service coverage ratio of 1.2x.

Mr. Schumer noted that it was a conservative projection, since it assumed no revenue growth from FY19, when the organization typically sees strong single digit annual revenue growth. Moreover, the projection didn't factor in the interest-only period of two years. The organization also has an endowment of around $13 million, plus and $6 million in cash on hand. Furthermore, they would also no longer be paying rental costs.

Mr. Piverger asked for further information on the organization's salary distribution, as well as their other activities and why they qualified as a non-profit.

Mr. Schumer stated that the organization acted as an advocacy organization for the interests of the Orthodox Jewish community, and provided education and social services, including services for the developmentally disabled.

Mr. Dinerstein stated that the organization was the most conservative of their organizations that provide their services in what they deem as being Kosher.

Mr. Piverger asked whether the other Kosher certifiers were all non-profits.

Mr. Schumer stated that he would look into this.

Mr. Dinerstein stated that if the organization had cash flow issues, it seemed they could spend less on the programs to meet debt obligations.

Mr. Schumer agreed they could scale back programs if need be.

The committee recommended the Project to seek authorization at the May 12th Board meeting.

Young Adult Institute, Inc.

Young Adult Institute, Inc. ("YAI" or the "Company"), 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 (the "Code"), serves individuals with developmental and related disabilities and their families, and is seeking approximately $6,315,000 in tax-exempt and taxable revenue bonds (the "Bonds"). Proceeds of the Bonds will be used to (i) refinance an interim loan that financed the renovation, equipping and furnishing of Units 7NW and 8, an approximately 70,000 square foot facility (the "Facility") located in a 37-story building located at 220 E. 42nd St., Units 7NW and 8, New York, New York, (ii) finance and/or reimburse costs of the renovation, equipping and furnishing of the Facility, (iii) fund a debt service reserve fund for the Bonds, and (iv) pay certain costs related to the issuance of the Bonds. YAI will continue to lease and operate the Facility as its headquarters with offices and clinic space providing essential services to individuals with developmental and other disabilities and their families. Premier Healthcare, Inc. a New York not-for-profit corporation exempt from federal taxation pursuant to Section 501(c)(3) of the Code, occupies and operates 2 clinics in the Facility, and YAI is its sole corporate member. The renovation, equipping and furnishing of the Facility (the "Project") was completed in September 2019.

Mr. Dinerstein asked what the organization's sources of revenue are.

Mr. Thayer stated that the organization generates revenue from operating residential services, day care services, and medical clinic space. He noted that the revenues were primarily derived from government sources—Medicaid, Medicare, and other grants, run through the State Office of People with Developmental Disabilities.

Mr. Dinerstein asked about whether that state office might be cutting back on funding.

Mr. Thayer stated that the organization had been deemed an essential business, and thus far their revenue was intact. Moreover, they were receiving an enhanced premium from the State for operating residential services during the pandemic and taking precautions for their staff.

Mr. Piverger asked why the interest rate on these bonds were higher than the other projects on the agenda.

Mr. Omolade stated that for limited public offerings, the indicative interest rate quoted to the Committee was typically the highest rate anticipated under the terms of the offering, and that when the bonds were on the market, typically the rate would end up lower.

Ms. Feirstein noted that the organization also likely doesn't have ready access to capital markets.

Mr. Dinerstein—why buying space in Class A midtown building. Got a good deal? Prime location, wouild seem expensive place for non-profit.

Mr. Thayer stated that one feature of the new space is a conference center for convening events for advocacy purposes, and speculated that that likely played a role in the choice of location.

Mr. Omolade stated that the Corporation would seek to provide more information about why they chose that specific location.

The committee recommended the Project to seek authorization at the May 12th Board meeting.