Build NYC Resource Corporation
Finance Committee Discussion

The Finance Committee convened on October 31, 2019 to discuss the following projects:

- Manhattan Country School
- Consortium for Worker Education

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

Start: 11:33 AM
End: 11:53 AM

Manhattan Country School
Manhattan Country School, (the "School" or "MCS"), 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"), or West 85th Street Owner LLC, a Delaware limited liability company, the sole member of which is the School (cnollectively, the "Affiliate"), as borrower, is seeking approximately $30,000,000 in tax-exempt and taxable bonds (the "Bonds"). Proceeds from the Bonds will be used to: (a) refinance all or a portion of the Build NYC Resource Corporation Revenue Bonds (Manhattan Country School Project), Series 2016, currently outstanding in the aggregate principal amount of $21,200,000, the proceeds of which were applied to: (1) refinance taxable debt incurred by the School and/or the Affiliate, the proceeds of which were used to acquire a 33,566 square foot, six floor building located on a 7,663 square foot parcel of land at 150 West 85th Street, New York, New York 10024 (the "Facility"); and (2) finance the renovation, furnishing and equipping of the Facility, with the building currently being 41,557 square feet; (b) finance or refinance the costs of construction, renovation and equipping of the Facility, including the installation of a new elevator and the addition of four classrooms; (c) finance a debt service reserve fund and capitalized interest; (d) finance a working capital and operating reserve fund; and (e) pay for certain costs and expenses associated with the issuance of the Bonds. The Facility is owned by the Affiliate and will be operated by the School as a co-educational day school serving students in pre-kindergarten through eighth grade.

Ms. Feirstein asked whether the school's plan to increase the number of families paying full tuition would undermine its commitment to economic and cultural diversity.

Mr. Schumer responded that that was something the school had to grapple with. He added that the school had let the percentage of families paying the maximum tuition rate drop below historical averages, so the school intended only to return to the prior levels.

Ms. Feirstein asked if the school's projected capital campaign was for $4 million, and whether they'd previously done other capital campaigns.

Mr. Schumer responded in the affirmative and stated that the upcoming campaign was phase II of an ongoing capital campaign. During Phase I, the school had raised money, which it had put towards renovations at its new facility.

[1] Ms. Feirstein participated by phone.

Ms. Feirstein stated that the school's background with capital campaigns was a positive sign for their ability to execute the current one.

Mr. Schumer stated that the school also hoped to tap into its new base of potential donors, owing from the growth in enrollment in recent years. He added that the $4 million was partly based on pledged gifts.

Ms. Feirstein noted that it would be unlikely the school would be receiving a lower interest rate now versus in 2016.

Mr. Dinerstein asked what the difference in interest rates would be between the current refinancing and the previous Build NYC transaction.

Mr. Schumer responded that the school would pay a higher interest rate—around 5% now, versus a bit more than 3% in 2016. However, by refinancing now, the school would extend the interest-only period, lowering their short-term debt servicing costs. Moreover, the school would also issue taxable bonds to provide working capital.

Ms. Feirstein asked if this refinancing would extend the debt longer into the future.

Mr. Schumer replied that the final maturity would be extended by another few years.

Mr. Omolade stated that the committee's points were well taken. He stated that Build NYC staff had had multiple conversations with the school's financial advisors to understand their current and projected financial situation, and how this refinancing would help their situation. He noted that the sharp increase in enrollment at the school since moving into the new facility bolstered the Corporation's confidence that the school would generate more revenue moving forward.

Ms. Marcus added that the corporation saw red flags in the school's financial position, which prompted much internal discussion, but that the school's mission was worth supporting and the Corporation felt good about supporting the project.

Ms. Feirstein stated that during the board meeting, she believed it would be worth acknowledging that red flags exist, but that there were sufficient reasons why the committee felt comfortable moving forward.

Mr. Dinerstein acknowledged that there's some risk with the deal, but that the school is well established and serves an important mission, and that supporting schools like this is one of the reasons for Build NYC existing as a program.

Mr. Piverger asked whether there were other types of support that Build NYC Resource Corporation could provide. With a large and ostensibly prosperous alumni community, Mr. Piverger noted that the school should be in a strong financial position.

Mr. Schumer stated that with enrollment on the upswing and a capital campaign underway, the school hoped to rebuild its endowment moving forward.

Ms. Marcus and Mr. Schumer noted that the school had been put in a tough position in 2016, when it received less from the sale of its previous school building than anticipated and had suffered slight cost overruns on the renovations of its new building.

Mr. Omolade added that other departments at NYEDC work with nonprofits, and the Corporation could explore whether there might be any avenues for future technical assistance.

The committee recommended the Project to seek authorization at the November 5th Board meeting.

<u>Consortium for Worker Education</u>
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 approximately $9,350,000 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; (ii) pay for any required debt service reserve fund; and (iii) pay for certain costs related to the issuance of the Bonds.

Ms. Feirstein asked for confirmation that the organization previously intended to do a private placement and would now instead be doing a limited public offering.

Ms. Marcus replied in the affirmative. She stated that under the previous deal, the organization had planned to put down a $1.2 million equity payment. Under the new arrangement, the organization would pay a higher interest rate—around 5%, instead of 3.5%—but would pay less in cash.

Mr. Piverger asked how the new deal would impact the organization's debt service coverage ratio.

Ms. Marcus replied that the debt service coverage ratio would remain around 1.6x, subject to the final interest rate determined through the limited public offering.

Mr. Dinerstein asked for confirmation that the school works with unions and has a steady revenue stream.

Ms. Marcus replied that the organization does have a strong revenue system, owing to contracts from Small Business Services and the City.

Ms. Feirstein noted that this was an unusual arrangement, given that most of the times deals transition from being limited public offering to private placements, not the other way around.

Ms. Marcus replied that it was unusual and that it prompted the Corporation to ask many questions. However, after reviewing the new terms of the deal, the Corporation was comfortable that the fundamental parameters of the deal remained the same as before.

Mr. Feirstein stated appreciation to the Corporation for letting the committee know about the transaction.