Build NYC Resource Corporation
Finance Committee Discussion

The Finance Committee convened on June 9, 2021 to discuss the following projects:

- Friends of SBCSICA, Inc.
- Marymount School of New York

Finance Committee Members: Andrea Feirstein, Anthony Del Vecchio, and Barry Dinerstein
Build NYC Staff Members: Krishna Omolade, Emily Marcus, and Noah Schumer

Start: 2:00 PM
End: 2:30 PM

Friends of SBCSICA, Inc.

The applicant is Friends of SBCSICA, Inc. ("Friends"), 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, and its affiliate, South Bronx Charter School for International Cultures and the Arts (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. Friends is seeking approximately $70,000,000 in tax-exempt qualified 501(c)(3) bonds and/or taxable revenue bonds (collectively, the "Bonds"). Proceeds from the Bonds will be used, as part of a plan of financing, to finance the costs of (1) the acquisition of a 22,338 square foot parcel of land located at 2500 Park Avenue, Bronx, New York (the "Land") and the design, acquisition, construction, equipping and furnishing of a new school building located on the Land, which new school building will total 90,000 square feet, all for educational and administrative use (together with the Land, the "Facility"), (2) funding a debt service reserve fund and capitalized interest; and (3) paying for certain costs related to the issuance of the Bonds. Friends will own the Facility and lease the Facility to the School to be operated by the School as a public charter school providing educational services to students in Grades 6 through 12.

Ms. Feirstein noted that the debt service coverage ratio was quite low at 1.148x.

Mr. Dinerstein agreed and noted that the school was planning to construct a large building on a small lot. He asked whether Staff felt comfortable that the school could remain on budget in their construction or had contingencies in place in the event of cost overruns.

Ms. Marcus stated that the school had done a deal with Build NYC in 2013 to construct their current facility, and that the construction had been completed on time and the school is in good standing with Build NYC's Compliance Department. She added that the total bond amount contained a significant amount of contingency built in to provide a buffer in case the school required additional funds. Moreover, the debt service coverage ratio projection was conservative, because it did not factor in a projected increase in revenue from adding additional students.

Mr. Del Vecchio asked whether Staff had run an estimated debt service coverage ratio based upon the expected increase in enrollment.

Ms. Marcus stated that she had not, because the school had not provided the projected increase in revenue. However, she noted that total enrollment would expand by more than double, which should correspond to an increase in revenue by 2025 or 2026.

Mr. Dinerstein asked whether the school would keep their current building.

Ms. Marcus stated that they would. The existing building would remain for the elementary school, and the new facility would fit the middle and upper schools.

Ms. Feirstein asked for confirmation that 'The Corporation' reference in the board item referred to Build NYC Resource Corporation.

Ms. Marcus replied Yes.

Ms. Feirstein asked whether the school had begun to amortize their 2013 issuance, and whether the projected free cash flow for new debt factored in the existing bond obligations.

Ms. Marcus replied Yes to both questions, clarifying that the projected new debt obligation included the payments on both bonds—the 2013 issuance and the current issuance.

Ms. Feirstein requested that that point be clarified for the Build NYC Board. She noted that the school had thin margins.

Mr. Dinerstein concurred and asked whether the school was currently fully enrolled.

Ms. Marcus replied that the school would rely on the reimbursement for student enrollment and rental assistance from the State. She added that the school's charter had been expanded the previous day, which provided additional support for their future operations.

Mr. Omolade added that relative to other charter schools, the school had a solid amount of cash on hand for reserves.

Mr. Dinerstein asked whether a hypothetical default on this project could negatively impact other charter schools seeking financing through Build NYC—for example, through a resulting demand from underwriters for higher interest rates.

Mr. Omolade replied that most underwriters he had spoken to looked at charter school projects on a case-by-case basis, and that an unlikely default in this case would most likely not have a significant cascading effect on the overall market.

Mr. Dinerstein stated that this was the type of project Build NYC should be pursuing—financings for slightly higher-risk entities that support people and families in lower income neighborhoods.

In response to an inquiry from Mr. Del Vecchio, Ms. Marcus affirmed that she would try to procure a revenue projection corresponding to the projected increase in enrollment, in order to estimate the debt service coverage ratio factoring in future enrollment.

The committee recommended the Project to seek authorization at the June 15th Board meeting.

Marymount School of New York

Marymount School of New York ("School" or "Marymount"), 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, is the applicant and borrower. The School is seeking approximately $80,000,000 in tax-exempt qualified 501(c)(3) bonds (the "Bonds"). Proceeds from the Bonds, together with other funds contributed by the School, will be used, as part of a plan of financing, to: (1) refinance all or a portion of Build NYC Resource Corporation Revenue Bonds (Marymount School of New York Project), Series 2012A, currently outstanding in the aggregate principal amount of $10,000,000, the proceeds of which were applied to: (a) refinance tax-exempt bonds issued by New York City Industrial Development Agency in 2001, the proceeds of which were used by the School to acquire, renovate and improve a 15,325 square foot building located at 2 East 82nd Street, New York (the "82nd Street Facility") and (b) to refinance the costs of acquiring five adjacent vacant parcels of land located at 115 and 117 East 97th Street and 122, 118 and 116 East 98th Street, New York, New York 10029, which have been combined and have a single address at 115 East 97th Street (the "East 97th Street Site," and together with the 82nd Street Facility, the "Existing Facilities"); (2) finance the construction, furnishing and equipping of a 155,531 square foot building (the "New Facility"), which will be located on the 15,137 square foot East 97th Street Site and which will include classrooms, laboratories, a library, a performing arts center and an auditorium, a fitness and wellness center, a music room, kitchen and dining areas, and administrative offices; (3) fund capitalized interest; and (4) pay for certain costs related to the issuance of the Bonds (collectively, the "Project"). The Existing Facilities were purchased to allow for the School's future expansion. As part of the School's plan of consolidation, the 82nd Street Facility will be sold and its services transferred to another facility owned by the School. The New Facility will be used by School to serve students from Grades 6 through 12.

Ms. Feirstein asked whether the repayment of the bridge financing would be repaid more by the proceeds of the sale of one of the school's current buildings, or by the capital campaign.

Mr. Schumer replied that the capital campaign had thus far raised nearly $40 million, with the majority of it on hand, with the goal to raise an additional $20-plus million by 2025. Moreover, the existing building had already been placed on the market and the school had received offers, though he was not aware of the exact amount. However, given the location of that building, it was fair to assume the school could receive fair market value for the property. In sum, the capital campaign would be providing most of the funds to repay the bridge financing.

Ms. Feirstein noted that this school presented a significant financial contrast from the previous school discussed by the Committee.

Mr. Dinerstein asked whether Build NYC had previously issued bonds to the school.

Mr. Schumer replied Yes, that Build NYC had issued bonds to the school in 2012, and the NYCIDA had issued bonds to the school in 2001. The school had a successful track record with these agencies.

Mr. Dinerstein asked whether there had been controversy in the surrounding community regarding the new project.

Mr. Schumer replied that there had been some opposition to the project in 2018, when the school had sought a BSA variance. However, the school had ultimately received the support of the BSA, and there was no ongoing litigation that Corporation staff was aware of related to the project. Moreover, demolition of the existing building on the site had already been undertaken, which was expected to be the most noise-intensive portion of the project.

The committee recommended the Project to seek authorization at the June 15th Board meeting.

Noah Schumer (Jul 21, 2021 13:59 EDT)

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Noah Schumer
Assistant Secretary