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

The Finance Committee convened on September 17, 2020 to discuss the following projects:

- Friends of Hellenic Classical Charter Schools, Inc.
- Highbridge Facilities, LLC/Family Life Academy Charter Schools Corporation
- Young Adult Institute, Inc.

Finance Committee Members: Jacques-Philippe Piverger, Barry Dinerstein, and Anthony Del Vecchio
Build NYC Staff Members: Krishna Omolade, Emily Marcus, Mac Thayer, and Noah Schumer

Start: 5:10 PM
End: 5:40 PM

**<u>Friends of Hellenic Classical Charter Schools, Inc.</u>**
Friends of Hellenic Classical Charter Schools, Inc., a New York not-for-profit corporation ("Borrower"), which is affiliated with Hellenic Classical Charter Schools ("HCCS" or the "School"), a New York not-for-profit education corporation, both of whose applications for exemption from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") are pending before the Internal Revenue Service ("IRS"), is seeking approximately $44,428,000 in aggregate principal amount of tax-exempt and/or taxable revenue bonds (the "Bonds"). The Bonds will be issued as qualified 501(c)(3) bonds, subject to and following the receipt of IRS letters determining the Borrower and HCCS are exempt from federal taxation as described in Code Section 501(c)(3). Proceeds of the Bonds will be used as follows: Bonds in the approximate principal amount of $9,050,000 will be used to (i) refinance a loan incurred by HCCS to finance leasehold improvements to a four-story, approximately 46,000 square foot building located on a 23,244 square foot parcel of land at 646 Fifth Avenue, Brooklyn, New York, which is the site of HCCS's Park Slope branch (the "Park Slope Facility"), (ii) pay all or a portion of the cost of the construction, furnishing, and equipping of additional leasehold improvements to the Park Slope Facility and (iii) fund a ratable portion of the debt service reserve fund, capitalized interest and costs of issuance with respect to the Bonds. The Park Slope Facility includes or will include approximately 21 classrooms, 14 private rooms for offices or specialized learning, locker areas, a cafeteria, gymnasium, library, administrative offices and serves students from kindergarten through Grade 8. Bonds in the approximate principal amount of $35,378,000 will be used to (i) finance the construction, furnishing, and equipping of a four-story, approximately 48,000 square foot building located on an approximately 100,000 square foot parcel of leased land at 1641 Richmond Avenue, Staten Island, New York, which shall serve as the site of HCCS's expanded Staten Island branch (the "Staten Island Facility," together with the Park Slope Facility, the "Facilities"), and (ii) fund a ratable portion of the debt service reserve fund, capitalized interest and costs of issuance with respect to the Bonds. The Staten Island Facility is expected to include 24 classrooms, 17 private rooms for offices or specialized learning, locker areas, a cafeteria, auditorium, library, and administrative offices and serve students from kindergarten through Grade 5. HCCS is assigning its leasehold interest in the Facilities to the Borrower, which is subleasing the Facilities to HCCS. HCCS operates the Park Slope Facility, and will operate the Staten Island Facility, as public charter schools.

*Mr. Piverger and Mr. Del Vecchio asked for clarification regarding the debt service coverage ratio calculation.*

*Mr. Schumer replied that the projected coverage ratio of 1.17 times was a conservative projection, as it didn't take into account new information received since the publication of the board materials stating a longer interest only period than had previously been assumed.*

*Mr. Del Vecchio noted that the school's top line projected revenue growth was high and asked how the school was able to justify those numbers.*

*Mr. Schumer noted that the school intended to add around 75 students per year over the next few years as they expand, and that the admissions data reflected that the school already had a waiting list for enrollment.*

*Mr. Dinerstein asked whether the 5 percent interest rate was high, given that, as a charter school, reimbursement per pupil was guaranteed by the City, and that interest rates are generally low right now.*

*Mr. Schumer responded that the 5 percent projection was a conservative one made by the underwriter, and that the process of marketing the bonds in a limited public offering could result in a lower interest cost.*

*Mr. Omolade added that 5 percent was in the range of other recent Build NYC school projects.*

*Mr. Dinerstein noted that the school was being built in a church parking lot and asked for confirmation that the church would be left, post-construction, with enough parking spaces to meet the local zoning requirement.*

*Mr. Schumer stated that he would get back to Mr. Dinerstein with confirmation that the church would have enough parking to be in compliance with the zoning.*

*The committee recommended the Project to seek authorization at the September 22nd Board meeting.*

**Highbridge Facilities, LLC/ Family Life Academy Charter Schools Corporation**

The applicant is Highbridge Facilities, LLC ("Highbridge"), a Delaware limited liability company and a disregarded entity for federal income tax purposes whose initial sole member is Latino Pastoral Action Center, Inc., a New York not-for-profit corporation ("LPAC") exempt from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Highbridge is seeking approximately $125,000,000 in tax-exempt bonds to be issued as qualified 501(c)(3) bonds and/or taxable revenue bonds in one or more series (collectively, the "Bonds") to finance and/or refinance the acquisition, construction, or renovation of certain facilities to be leased to Family Life Academy Charter Schools Corporation ("FLACS"), a New York not-for-profit education corporation exempt from federal taxation pursuant to section 501(c)(3) of the Code, that operates public charter schools. HB Foundation, Inc. ("New Member"), a New York not-for-profit corporation exempt from federal taxation pursuant to section 501(c)(3) of the Code, is expected to become the sole member of Highbridge prior to the issuance of the Bonds. Proceeds from the Bonds will be used, as part of a plan of financing, to: (1) finance or refinance the acquisition by Highbridge of an approximately 18,000 square foot parcel of land located at 1400 Cromwell Avenue, Bronx, New York and the construction, furnishing and equipping of an approximately 70,000 square foot, five-floor (plus basement), facility, including parking ( "New Facility") located on such land, to serve as a new public charter school serving students in kindergarten through grade 8 (up to $67,000,000 of bonds); (2) finance or refinance the acquisition, construction, furnishing and equipping of an existing 20,000 square foot, four-story facility located on an approximately 6,550 square foot parcel of land located at 370 Gerard Avenue, Bronx, New York (the "Second Facility"), which will continue serving as a public charter school operated by the FLACS serving students in grades kindergarten through grade 4 (up to $15,000,000 of bonds); (3) finance or refinance the acquisition, construction, furnishing and equipping of an existing 55,000 square foot, four-story facility located on an approximately 22,602 square foot parcel of land located at 316 East 165th Street, Bronx, New York and an approximately 7,317 square foot vacant parcel of land located at 321 East 165th Street (the "Third Facility"), which will continue serving as a public charter school operated by FLACS serving students in grades 5 through 8 (up to $43,000,000 of bonds); and (4) pay for certain costs related to the issuance of the Bonds. The New Facility, the

Second Facility and the Third Facility all will be owned by Highbridge and leased to and operated by FLACS as public charter schools providing education services to students in kindergarten through grade 8 (collectively, the "Project").

*Mr. Dinerstein asked whether the City had formally issued the charter for the new school.*

*Ms. Marcus replied that the school had received the charter.*

*Mr. Dinerstein noted that the debt service coverage ratio was low, but that the City's guaranteed funding provided enough confidence to support the issuance.*

*Mr. Del Vecchio asked how large the school's debt service reserve fund was.*

*Ms. Marcus replied that she would follow up with the exact amount.*

*The committee recommended the Project to seek authorization at the September 22nd Board meeting.*

**Young Adult Institute, Inc.**

Young Adult Institute, Inc. ("YAI"), 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.

*Mr. Piverger asked whether the change to the project centered on the organization deciding to offer collateral to secure the bonds.*

*Mr. Thayer noted that the organization had tried to sell the bonds with only a gross revenues pledge, and had received a less enthusiastic response from the market than had been hoped for. He stated that adding a mortgage as collateral constituted a material change that required Board approval.*

*Mr. Dinerstein asked who would hold a first claim to the real estate in the event of default.*

*Mr. Thayer responded that the bondholder would hold the first claim.*

*Mr. Omolade confirmed this to be the case.*

*Mr. Dinerstein asked whether it was normal procedure for Build NYC to hold a secondary position, or no position at all, in the event of default.*

*Mr. Omolade stated that it was standard for Build NYC, as the conduit issuer, to not hold a claim on the real estate collateral.*

*Mr. Dinerstein asked whether the City could reclaim lost taxes.*

*Mr. Omolade noted that in the event of a recapture event, the Corporation could declare an event of default and charge a penalty, plus the value of the waived mortgage recording tax (MRT). He added that Build NYC is part of the mortgage in title only, for the purpose of conferring the MRT benefit, but the Corporation does not hold a claim to the property.*

*The committee recommended the Project to seek authorization at the September 22nd Board meeting.*

Noah Schumer (Aug 31, 2021 13:44 EDT)

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Noah Schumer
Assistant Secretary