Build NYC Resource Corporation
Finance Committee Discussion

The Finance Committee convened on July 22, 2021 to discuss the following projects:

- Manhattan Community Access Corporation
- St. Francis College

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

Start: 1:00 PM
End: 2:00 PM

<u>Manhattan Community Access Corporation</u>

Manhattan Community Access Corporation, 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"), as borrower, doing business as Manhattan Neighborhood Network ("MNN"). MNN is a public access media organization serving the Borough of Manhattan. MNN is seeking approximately $17,256,000 in tax-exempt 501(c)(3) revenue bonds (the "Bonds") issued pursuant to section 145 of the Code. Proceeds from the Bonds, in addition to equity from MNN, will be used as part of a plan of finance to finance the costs of: (i) the acquisition of one condominium unit, consisting of 23,651 square feet, on two floors (floors three and four) (the "Facility") of a building located at 509 West 38th Street, New York, New York; (ii) the construction/build-out, furnishing, and equipping of the Facility, including four video production studios, a podcast studio, three control rooms, fifteen digital editing suites, one dedicated media classroom, conference rooms and a 48-person multipurpose screening room, as well as office space; and (iii) certain costs in connection with the issuance of the Bonds. The Facility will be owned and operated by MNN as a media center and office space (the "Project").

Mr. Dinerstein noted that a significant part of the organization's revenue was derived from charges paid by cable subscribers. He asked what would happen if the number of cable subscribers continued to decline.

Mr. Schumer noted that if the revenue derived from the cable companies' franchise agreements with the City were to decline, the organization would have to seek other sources of revenue, since the large majority of their revenue is derived from the franchise agreements. He also noted, however, that MNN had relatively strong financial reserves.

Ms. Marcus noted that the project included the construction of new facilities that the organization could lease out to diversify their revenue.

Mr. Omolade agreed with Mr. Dinerstein's assessment, but stated that it was a low probability event that the franchise agreements would be altered to the point of significantly reducing MNN's revenue, and that the Bank had been comfortable financing the transaction under those circumstances.

Ms. Feirstein asked whether the organization qualified as a non-profit.

Mr. Schumer clarified that it did.

Ms. Feirstein asked that the presentation to the Board meeting state clearly that MNN is a public access TV station.

The committee recommended the Project to seek authorization at the July 27th Board meeting.

<u>St. Francis College</u>

St. Francis College (the "College"), a New York not-for-profit education corporation and an independent coeducational undergraduate college exempt from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), as borrower, is seeking approximately $46,000,000 in tax exempt bonds (the "2021 Bonds"), to be issued as qualified 501(c)(3) bonds and as draw-down bonds. Proceeds from the 2021 Bonds will be used, as part of a plan of financing, to: (1) finance the renovation, furnishing and equipping of leased space (to be later converted into multiple leasehold condominium units) under a long-term lease and aggregating approximately 255,000 square feet comprising the fifth, sixth and part of the seventh floors of an approximately 789,331 square foot building located on a 76,094 square foot parcel of land at 181 Livingston Street (also known as 179 Livingston Street), Brooklyn, New York (the "Project"), which building also includes a dedicated lobby and roof access (the "Facility"); (2) finance a debt service reserve fund and capitalized interest; and (3) pay for certain costs related to the issuance of the 2021 Bonds. All assets financed with the proceeds of the 2021 Bonds issued pursuant to section 145 of the Code will be owned by the College for tax purposes. The College will operate the Facility as a private four-year college serving up to 3,500 students.

Mr. Del Vecchio asked whether the College had a buyer for the Remsen Street campus.

Ms. Marcus stated that the College hadn't officially put the campus on sale yet, and that the Bonds were intended to help finance the construction of the new campus until the Remsen Street campus could be sold.

Mr. Del Vecchio confirmed that the College's ability to repay the Bonds was contingent on the sale of the campus.

Ms. Marcus stated that the Corporation and College were confident that the sale of the campus would be successful in advance of the maturity of the new Bonds, but that Mr. Del Vecchio had identified the main risk factor for the transaction.

Ms. Feirstein confirmed that the College had had a deal authorized by the Build NYC Board in 2020.

Ms. Marcus stated Yes. She explained that at the time of the prior transaction, which had largely consolidated and refinanced the College's existing debt, the College had shared with the Board their plan to sell their existing campus.

Ms. Feirstein clarified that the new issuance would be entirely new money and included no refinancing of existing debt, including the 2020 Bonds. She asked why Ms. Marcus had stated that a debt service coverage ratio wouldn't apply to the new transaction.

Ms. Marcus stated Yes to the first question and noted that a debt service coverage ratio didn't apply, in the sense that the new Bonds would be entirely taken out by the sale of the existing campus, and not by the College's operating revenue.

Mr. Del Vecchio stated that it would be good to calculate the debt service coverage ratio in the event the sale of the campus didn't go through.

Ms. Feirstein and Mr. Dinerstein both stated that the deal would only work if the campus were sold in time to repay the new Bonds.

Mr. Dinerstein added that the residential, as-of-right zoning of the existing campus would make it very attractive to developers interested in purchasing the site.

Ms. Feirstein confirmed that the new issuance would be put towards hard costs for renovating the new campus. She also asked about the structure of the transaction.

Ms. Marcus noted that Hamlin Capital Management would purchase the Bonds, but then sell some of the Bonds to their investment clients, which was the same arrangement as the College's 2020 issuance. She added that the line of credit involved in the transaction would become active when the sale of the Remsen Street campus closed. It could be used if there was a lag in the release of funds from the sale of the campus. However, the Bonds would only be repaid with the proceeds from the sale of the campus, and the success of the issuance was dependent on the campus being sold in time.

Ms. Feirstein expressed support for the Corporation supporting the College, and that the location of the campus lowered the probability of the College not being able to sell the campus. However, she noted that the interest rate was fairly high, and that the Board needed to be aware that the issuance would go into default if the campus couldn't be sold for a high enough price within two years.

Mr. Dinerstein noted that while the campus would be very attractive on the market, there was always a risk that market conditions could change within the next two years.

Mr. Del Vecchio concurred, stating that two years was a tight window for a sale of property of this size.

Mr. Piverger agreed. He then asked whether the Corporation had security tied to the asset.

Ms. Marcus stated that Build NYC didn't have direct security, but the bondholders have security in a mortgage of the existing campus, and St. Francis's other assets.

Mr. Dinerstein noted that the College could end up having to take a lower price for the campus because of the time crunch in needing to sell the campus to pay off the new Bonds.

In response to questions from the Committee, Ms. Marcus stated that the College was also starting a capital campaign, and that the College would not lose their lease in the new building in the event there was a delay in the sale of the existing campus. She thanked the Committee members for their thorough review of a non-traditional transaction.

Mr. Del Vecchio asked what the debt service coverage ratio would come out to if the sale of the campus wasn't successful.

Ms. Marcus replied that the transaction wouldn't work out, based on the College's operating revenues. She added that the College's revenues had suffered in the existing building, and a goal of the new project was to move into a new facility that could increase enrollment and, subsequently, revenue.

Mr. Piverger noted that the Committee had had a discussion about that point in 2020, during its review of the prior issuance.

Ms. Feirstein asked whether the Committee had been aware in 2020 whether the College was contemplating selling their existing campus.

Ms. Marcus said No, that the College had not given Corporation staff permission to share that with Build NYC Board members or the broader public at the time.

Mr. Dinerstein asked whether the College already had bidders for the campus.

Ms. Marcus stated that the valuation of the campus that she shared was indicative of interest that they've gotten from preliminary discussions with potential purchasers.

Ms. Feirstein reiterated her earlier point that the structure of the financing should be communicated clearly to the Board, given that it was predicated on the one major factor of the sale of the campus.

The Committee members collectively decided that they would be comfortable communicating to the Board that they had reservations with the risks involved in the transaction, without outright rejecting the financing at this time.

Ms. Marcus and Mr. Omolade added that they would reach out to the College to seek additional information that could help make the Committee members more comfortable with supporting the transaction.

The committee recommended the Project to seek authorization at the July 27th Board meeting.

Noah Schumer (Sep 20, 2021 10:23 EDT)

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Noah Schumer
Assistant Secretary