

Build NYC Resource Corporation Finance Committee Discussion

The Finance Committee convened on November 10, 2021 to discuss the following projects:

- Center for Urban Community Services, Inc.
- Trustees of the Spence School, Inc.
- Friends of Whin Music Community Charter School, Inc.

Finance Committee Members: Andrea Feirstein, Anthony Del Vecchio, Barry Dinerstein, and Jacques-Philippe Piverger

Build NYC Staff Members Emily Marcus, Jenny Osman and Noah Schumer

Start: 3:00 PM

End: 3:30 PM

Center for Urban Community Services Inc

Center for Urban Community Services, Inc. (the "Institution"), 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, is seeking approximately \$28 million in tax-exempt notes (the "Notes"). Proceeds from the Notes will be used to: (i) finance the acquisition, renovation, equipping and furnishing of an approximately 23,020 square foot, 6-story building located on an approximately 4,613 square foot parcel of land located at 105 Washington Street, New York, New York 10006 (the "Facility"); and (ii) pay for certain costs related to the issuance of the Notes. The Facility will be owned and operated by the Institution as an 84-bed safe haven for chronically homeless single adults and couples with mental illness, which will also provide on-site psychiatry and primary care and other programs, all in furtherance of the Institution's exempt purpose of creating housing and service programs for homeless and low-income people, including those suffering from serious mental illness, HIV/AIDS, and other disabling conditions.

Mr. Dinerstein asked whether social services would be available to residents of the facility.

Ms. Osman responded that social services would be provided to all residents.

Mr. Dinerstein asked if residents of the facility would be permitted to stay in their rooms during the day, or if they would be expected to vacate in the morning.

Ms. Osman noted that residents being expelled from the premises during the day would be highly unlikely, but that she would confirm with the operator.

Mr. Dinerstein asked if the project had both public and private funding.

Ms. Osman clarified that the majority of funding for the project is comprised of public money in the form of grants and contracts. However, a portion of the funding does come from private sources in the form of donations.

Mr. Dinerstein noted the operator's cash reserves, stating that there was a good debt service coverage ratio.

Ms. Osman agreed.

Mr. Piverger asked Ms. Osman to share information about the status of the working relationship between Build NYC and the operator.

Ms. Osman noted that the Corporation has a very positive relationship with the operator. This would be the third time that the agency and operator worked together, an indicator that the relationship was a good one. She then elaborated that current compliance errors were not the norm for this partner and that they were meant to be addressed at a prior meeting that was cancelled due to the outbreak of the Covid-19 pandemic.

Mr. Dinerstein asked if the operator had a good track record with projects and if there would be cause to expect problems to arise within the community.

Ms. Osman noted that the project is unique in that the community has expressed support for this project, a rarity for homeless shelters in New York City. Additionally, the operator has an operating history dating back to 1979. These factors indicate that it is highly unlikely that the project would fall into financial default or risk losing a contract.

The committee recommended the Project to seek authorization at the November 16th Board meeting.

Trustees of the Spence School Inc.

Trustees of the Spence School, Inc. (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, is seeking approximately \$41,000,000 in tax-exempt 501(c)(3) revenue bonds (the "Bonds"). Proceeds from the Bonds will be used as part of a plan of financing to: (a) refinance all of the Build NYC Resource Corporation 2019 Tax-Exempt Promissory Note (Trustees of the Spence School, Inc.) (the "2019 Note"), currently outstanding in the aggregate principal amount of \$29,830,000, the proceeds of which were applied, together with other funds from the School, to: (1) demolish a building located on an approximately 15,005 square foot parcel of land at 412 East 90th Street in New York, New York (the "2019 Project Site"), and (2) design, develop, construct, furnish and equip an approximately 59,000 square foot six-story building at the 2019 Project Site, which included a gymnasium and other athletic facilities and ancillary spaces, a multipurpose space, one or more classrooms and other instructional facilities, food service facilities, one or more offices, a greenhouse and a rooftop planting area, and ancillary facilities related to the foregoing; (b) pay a prepayment premium in relation to the prepayment of the 2019 Note; (c) refinance all of the Build NYC Resource Corporation Revenue 2013 Tax-Exempt Promissory Note (Trustees of the Spence School, Inc.), currently outstanding in the aggregate principal amount of \$9,472,000, the proceeds of which were applied to refund the New York City Industrial Development Agency Civic Facility Revenue Bonds (2002 The Spence School, Inc. Project), the proceeds of which, together with other funds of the School, were used to finance a portion of the costs of acquiring an approximately 26,000 square foot building (the "2002 Project Site") located on an approximately 8,057 square foot parcel of land at 56 East 93rd Street in New York, New York, and renovating the 2002 Project Site into an approximately 40,165 square foot seven-story building to house the School's Lower School, including kindergarten through grade 4; and (d) pay the issuance costs of the Bonds. The School is an independent day school that educates girls in grades kindergarten through grade 12.

Ms. Feirstein asked if this project was proposed so that the operator could realize savings.

Mr. Schumer confirmed, noting that this would be a refinancing with no other requests attached.

Ms. Feirstein asked if the interest rate of the bonds would be a variable or fixed rate.

Mr. Schumer confirmed that the interest rate would be fixed at 1.8 percent.

Mr. Dinerstein asked how much savings would be realized annually as a result of refinancing.

Mr. Schumer noted that annual savings were estimated to fall between \$170,000 and \$180,000.

Ms. Feirstein asked about the history of bond issuances for the school.

Mr. Schumer confirmed that the School had had a transaction in 2002 through IDA, which was refinanced by a 2013 transaction. There was also a separate 2019 transaction.

The committee recommended the Project to seek authorization at the November 16th Board meeting.

Friends of Whin music Community Charter School Inc.

Friends of WHIN Music Community Charter School, Inc., a New York not-for-profit corporation (“Borrower”), which is affiliated with WHIN Music Community Charter School (“WHIN” or the “School”), a New York not-for-profit education corporation, both of which are exempt from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), is seeking approximately \$40,000,000 in tax-exempt qualified 501(c)(3) bonds issued pursuant to section 145 of the Code and taxable bonds (collectively, the “Bonds”). Proceeds from the Bonds will be used to finance and refinance the costs of (i) the construction, renovation, furnishing, and equipping of an existing 29,880 square foot, three-story, building (the “Existing Facility”), and the construction, furnishing and equipping of an approximately 25,015 square foot, two-story addition to the Existing Facility (the “Addition” and together with the Existing Facility, the “Facility”), for a total of approximately 54,895 square feet, located on a 9,992 square foot parcel of leased land located at 528 West 162nd Street, New York, New York; (ii) capitalized interest and a debt service reserve fund, if required, and (iii) the issuance costs of the Bonds. The financed improvements will be owned by the Borrower and leased to the School to provide educational services for students in kindergarten through 8th grade.

Ms. Feirstein stated that as long as the resolution included language requiring evidence of a charter renewal, she had no questions.

Mr. Dinerstein asked if the charter renewal would be for five years.

Mr. Schumer confirmed.

Mr. Dinerstein stated that the financial position of the school seemed strong currently, but worried that the school could fall into a large amount of debt if unforeseen issues were to arise.

Ms. Feirstein seconded this view.

Mr. Schumer noted that this deal was similar to many of the other charter school deals taken on by the Corporation. Additionally, the school has had a strong start since commencing operations and has a solid waitlist currently. The charter renewal process also seems to be mostly finalized, with only final official approval remaining. The risk that the school may be unable to pay at some point is valid, as enrollment evolution can be difficult to project, but the risk carried by this school is comparable to other schools approved by the Corporation.

Ms. Feirstein asked if Mr. Dinerstein would have been more comfortable if the school had already completed one renewal process.

Mr. Dinerstein said that the question was more raised to point out that in the future, there was a possibility that the charter could be revoked. He noted that it is unlikely, but that it is a possibility that needs to be considered.

Ms. Feirstein noted that she understood Mr. Dinerstein's point, but that the language requiring charter renewal should address short-term risks. She did, however, note that Mr. Dinerstein's point is one to consider as the school matures further.

Ms. Marcus noted that the benefit of the bank loan was that in the event of school foreclosure, it is very likely that the bank would be able to find a new school for the facility. The hope is that the situation never gets there.

Mr. Dinerstein asked if charter schools were paying an interest premium because they are doing the schools themselves, as opposed to working with the city. Would it have been cheaper for schools to work with the city instead?

Ms. Marcus replied that the Corporation was not able to answer that question at the moment as there were no immediate examples of charter schools receiving direct financing from the City.

Mr. Dinerstein stated that he agreed that it may be less burdensome than working with the city, but that the decrease in burden is likely something that the school must pay for.

Ms. Marcus stated that she was unsure if the decrease in burden is associated with higher costs. She explained that her understanding of the City's way for paying for these schools was for them to co-locate with public schools in the same facilities.

The committee recommended the Project to seek authorization at the November 16th Board meeting.


Noah Schumer (Jan 11, 2022 10:51:02)

Noah Schumer
Assistant Secretary