Build NYC Resource Corporation
Finance Committee Discussion

The Finance Committee convened on March 2, 2022, to discuss the following projects:

- 625 Bolton LLC & Grand Concourse Academy Charter School
- Aero JFK II, LLC
- Friends of SBCSICA, Inc.
- InterAgency Council Pooled Loan Program 2022
- Yeshivah of Flatbush

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

Build NYC Staff Members: Emily Marcus, Noah Schumer, and Gregory Coleman

Start: 2:00 PM
End: 2:45 PM

625 Bolton LLC & Grand Concourse Academy Charter School
625 Bolton LLC, a New York limited liability company, as borrower (the "Borrower"), the sole member of which is Grand Concourse Academy Charter School (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 and/or taxable bonds to be issued as qualified 501(c)(3) bonds (the "Bonds"). Proceeds of the Bonds, together with other funds available to Borrower, will be used to finance and/or refinance: (i) the acquisition, construction, renovation, furnishing and equipping of an approximately 61,207 square foot building (consisting of 50,064 square feet of existing space and 11,143 square feet of additional space following the construction and renovation) located on an approximately 45,905 square foot parcel of land at 625 Bolton Avenue, Bronx, NY (the "Facility"); (ii) establishment of a debt service reserve fund and capitalized interest fund; and (iii) certain costs associated with the issuance of the Bonds (i, ii and iii collectively, the "Project"). The Facility will be owned by the Borrower and leased to the School, which will operate the Facility as a public charter school for students from kindergarten through grade 8. The sole member of the Borrower will initially be the School. Grand Concourse Support Corporation (the "New Member"), a New York not-for-profit corporation that will seek recognition of status as an organization described in Section 501(c)(3) of the Code, is expected to become the sole member of the Borrower after such time, and to the extent it is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code.

Mr. Del Vecchio noted that the board book lists a Debt Service Coverage Ratio (DSCR) of 2 times, while the presentation referenced a DSCR of 1.42 times. Mr. Del Vecchio asked which value should be used.

Ms. Marcus responded that 1.42 times was the correct, up to date figure.

Mr. Piverger asked if there were any other financial risks that the Build NYC Board should be aware of related to funds being available to the School from City or State sources.

Ms. Marcus stated that she did not believe that the school has additional major risks. They have been in operation since 2004 and have had their charter renewed each time, and they are confident that that will continue to be the case. Ms. Marcus commented that this project is fairly low risk for Build NYC, as well as the borrower. The School will be purchasing the building that it currently rents, resulting in savings of approximately $1 million annually through the substitution of debt service payments for rent payments.

Mr. Piverger asked if the "challenging learning environment" referenced in the presentation referred to a particularly vigorous course of instruction or whether the classrooms are challenging to manage.

Ms. Marcus replied that "challenging learning environment" was interpreted to mean that the school provides a learning environment that pushes students to challenge themselves in their education and expose themselves to new academic experiences.

Mr. Del Vecchio asked if any clarity has been provided regarding an 85% decrease in the school's net assets between 2019 and 2020

Ms. Marcus replied by stating that she would follow up with the school.

Ms. Feirstein asked if there are any concerns around state funding for the charter school.

Ms. Marcus replied that barring a structural change in the way that New York State funds charter schools, there is no reason for concern.

Ms. Feirstein asked for clarification regarding whether the school is purchasing the building.

Ms. Marcus replied that they will be buying the building and that it was constructed for them a few years ago and that they have occupied it since.

Ms. Feirstein asked of the School was renting the building previously.

Ms. Marcus confirmed, adding that the School has been in a lease-to-buy relationship with the landlord.

Ms. Feirstein asked if the landlord is the Board of Education.

Ms. Marcus replies that the Board of Education is not the landlord. The building that the School operates out of is a privately owned building.

Ms. Feirstein asked what the $2 million in taxable bonds are for.

Ms. Marcus replied that it is primarily to cover the costs of issuance. Under tax-exempt bond law one can use proceeds from a tax-exempt issuance of up to 2% for the costs of closing.

The committee recommended the Project to seek authorization at the March 8th Board meeting.

Aero JFK II, LLC
The applicant is Aero JFK II, LLC (the "Borrower"), a Delaware limited liability company. The Borrower is a wholly owned subsidiary of Realterm Airport Logistics Properties, LP, an affiliate of Aeroterm Management, LLC ("Aeroterm"), a Delaware limited liability company that develops logistics and support facilities at airports in North America and Europe. The Borrower was formed for the purpose of developing a new air cargo facility at Cargo Area D of John F. Kennedy International Airport to be initially tenanted and operated by Worldwide Flight Services ("WFS"). The Borrower is seeking $214,000,000 in tax-exempt and taxable bonds (collectively, the "Bonds), including qualified tax-exempt airport facility bonds to be issued pursuant to section 142(a)(1) of the Internal Revenue Code of 1986, as amended (the "Code"). Proceeds from the Bonds will be used to: (a) refinance taxable debt of the Borrower that will be used to finance the demolition of existing cargo facilities totaling 241,489 square feet located on an approximately 1,138,000 square foot parcel of land leased from The Port Authority of New York and New Jersey at John F. Kennedy International Airport at 260 North Boundary Road, Jamaica, New York (a portion of Tax Block 14260, Lot 1), and the construction, furnishing, and equipping of a new approximately 347,328 square foot cargo facility thereon and approximately 836,000 square feet of related improvements (the "Project"); (b) reimburse the Borrower for certain expenditures for costs of the Project derived from funds of the Borrower or its affiliates; (c) fund capitalized interest and a debt service reserve fund, if needed; and (d) finance the issuance costs of the Bonds.

Ms. Feirstein asked if any construction work for the project done by the company after Tuesday's meeting would be eligible for reimbursement on a tax-exempt basis.

Mr. Schumer replied in the affirmative, noting that the company is preserving their eligibility for a tax-exempt bond refinancing.

Mr. Dinerstein asked if there had been an issue in the past with IDA and or Build NYC in reference to issuing bonds for airports.

Ms. Marcus replied by saying that EDC managed a previous lease between the Port Authority the City of New York that included a provision prohibiting Build NYC from issuing bonds for airport developments unless explicitly invited to do so by the Port Authority. In the lease renewal that occurred in 2021, that prevision was removed.

Mr. Dinerstein asked if the alternative was to have the bonds issued by the Port Authority or DASNY.

Ms. Marcus and Mr. Schumer affirmed that that was the case.

Mr. Schumer noted that the NYCIDA had issued bonds for this company for a separate cargo facility in 2001, and then re-funded those bonds in 2012.

Mr. Dinerstein noted that the previous bonds were issued under IDA and asked if the difference between the two could be explained.

Ms. Marcus replied that the IDA no longer has the same authority to issue bonds, and that Build NYC was now the primary bond issuer

Ms. Feirstein asked if there would be an issue that the bonds were private activity bonds.

Ms. Marcus affirmed that there was a volume cap that limited Build NYC's ability to issue private activity bonds, but that airports were exempt from that limit.

The committee recommended the Project to seek authorization at the March 8th Board meeting.

<u>Friends of SBCSICA, Inc.</u>
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.

Mr. Piverger asked about a discrepancy between a 1.148 times DSCR referenced during the presentation, but a 1.5 DSCR referenced on a slide.

Ms. Marcus responded that she rounded up but meant to express that this was the DSCR for the new bonds as a result of the current enrollment and revenues. However, the school will be adding grades nine through twelve, which will add a few hundred more students and result in higher rental assistance and per pupil tuition reimbursement. These two factors will increase the DSCR once the school has completed its additions and they are fully operational. Additionally, there will be a separate reserve fund from the DSCR during the first few years of construction that will be a requirement until the school meets its enrollment projections.

Mr. Piverger referenced that the project is said to be secured by the asset. Mr. Piverger then asked if that portion of the project can be repeated with the value of the asset stated.

Ms. Marcus replied that the bonds are expected to be secured by a gross revenue pledge from the school, a debt service reserve fund, a repair and replacement fund, and a first mortgage on the school. Ms. Marcus stated that Corporation staff are confident that the resale value would be above $50-60 million.

Mr. Del Vecchio asked if a new pro forma for the debt to service ratio has been calculated based on the increase in students.

Ms. Marcus replied that she will have to get back to the group with the DSCR for the school at full occupancy.

The committee recommended the Project to seek authorization at the March 8th Board meeting.

InterAgency Council Pooled Loan Program 2022

The Borrowers are: (1) Eden II School for Autistic Children, Inc. ("Eden"); (2) HASC Center, Inc. ("HASC") and HASC Diagnostic and Treatment Center, Inc. ("HDTC") (which are affiliates of one another); (3) HeartShare Human Services of New York ("HeartShare"); and (4) Young Adult Institute, Inc. ("YAI"); each of which is a New York not-for-profit corporation. The Borrowers are all exempt from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Borrowers are seeking approximately $11,850,000 in tax exempt and taxable bonds (collectively, the "Bonds), consisting of approximately $11,295,000 qualified 501(c)(3) tax-exempt bonds issued pursuant to section 145 of the Code (the "Tax-Exempt Bonds") and approximately $555,000 taxable bonds (the "Taxable Bonds"). As part of a plan of financing, proceeds from the Bonds will be used by the Borrowers in the following ways (collectively, the "Projects"): (a) Eden will use approximately $1,950,000 of the Tax-Exempt Bond proceeds and approximately $115,000 of the Taxable Bond proceeds to finance and refinance the costs of the acquisition, renovation, furnishing, and equipping of an approximately 2,584-square-foot, 7-bed supervised or supportive housing known as an Individualized Residential Alternative ("IRA") for individuals with autism, located on an approximately 6,800-square-foot parcel of land at 312 Tysens Lane, Staten Island, NY; (b) HASC and HDTC will use approximately $4,000,000 of the Tax-Exempt Bond proceeds and approximately $170,000 of the Taxable Bond proceeds to finance and refinance the costs of the renovation, furnishing, and equipping of a leased approximately 11,800-square-foot condominium unit, which is used as a community health center serving both individuals with developmental and other disabilities and neuro-typical individuals, located within an approximately 85,000-squarefoot building on an approximately 12,000-square-foot parcel of land at 1122 Chestnut Avenue, Unit 1, Brooklyn, NY; (c) HeartShare will use approximately $1,890,000 of the Tax-Exempt Bond proceeds and approximately $100,000 of the Taxable Bond proceeds to finance and refinance the costs of the renovation, furnishing, and equipping of a leased approximately 9,532-square-foot, 14-bed IRA for individuals with intellectual and/or developmental disabilities, located on an approximately 62,480-square-foot parcel of land at 2601 E. 19th Street, Brooklyn, NY; (d) YAI will use approximately $3,455,000 of the Tax-Exempt Bond proceeds and approximately $170,000 of the Taxable Bond proceeds to finance and refinance the costs of the renovation, furnishing, and equipping of a leased approximately 5,500-square-foot facility for two 5-bed IRAs for individuals with intellectual and/or developmental disabilities, located on an approximately 111,152-square-foot parcel of land at 2518 Church Avenue, Brooklyn, NY; (e) to fund a debt service reserve fund; and (f) to finance the issuance costs of the Bonds.

Ms. Feirstein asked if in reference to the DSCR, each borrower is only responsible for their portion.

Mr. Schumer replied in the affirmative. The bonds are marketed together and sold at the same price, but the structure allows for individual loan agreements between each organization and Build NYC. They are not cross-collateralized, and each borrower is only responsible for their portion.

Mr. Piverger asked how the organizations are affiliated.

Mr. Schumer replied that only the two that are sister organizations are affiliated (HASC and HDTC) but that they are all affiliated through the facilitating non-profit, IAC, which helps to organize non-profits that serve the special needs community. For these projects, going through Build on their own would not be cost-effective but the pooled structure allows them to get tax-exempt financing and realize savings on some costs.

Mr. Schumer further noted that three of the four projects are supportive housing projects, which have agreements with the New York State Office for People with Developmental Disabilities, which will provide funds to cover the debt service if the projects follow through with what they have pledged.

The committee recommended the Project to seek authorization at the March 8th Board meeting.

Yeshivah of Flatbush

Yeshivah of Flatbush (the "School"), 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, is seeking $60,000,000 in tax exempt bonds to be issued as qualified 501(c)(3) bonds and/or taxable bonds (the "Bonds"). Proceeds of the Bonds, together with other funds available to School, will be used to finance and/or refinance: (i) $26,600,000 outstanding in Build NYC Resource Corporation Revenue Bonds (Yeshivah of Flatbush Project), Series 2016 (the "Series 2016 Bonds") that were issued in the original aggregate amount of $29,000,000, the proceeds of which were used by the School to: (1) finance and/or refinance a portion of the costs of construction, renovation, equipping and/or furnishing of a 25,000 square foot building (the "Extension Facility") which was connected to the existing 100,000 square foot Joel Braverman High School building (the "Existing Facility", and, together with the Extension Facility, the "Avenue J Facility") both located on an approximately 44,000 square foot parcel of land located at 1609 Avenue J, Brooklyn, NY (the "Land"); (2) refinance the acquisition of the Land and/or the acquisition, construction and equipping of the Existing Facility; (3) finance and/or refinance a portion of the costs of renovations, improvements, equipment, and upgrades to the Existing Facility; and (4) pay for certain costs related to the issuance of the Series 2016 Bonds; (ii) the approximately $14 million purchase price for the acquisition of an approximately 25,000 square foot building located on an approximately 18,000 square foot parcel of land located at 1288-1308 Coney Island Avenue, Brooklyn, NY (the "Post Office Facility", and together with the Avenue J Facility, the "Facilities"), which Post Office Facility is reasonably proximate to the Avenue J Facility and will be operated in conjunction with the Avenue J Facility for educational purposes; (iii) finance additional costs incurred in connection with the renovation, equipping, and/or furnishing of the now-135,000 square foot Avenue J Facility; (iv) fund a construction contingency for construction costs related to the Avenue J Facility; and (v) pay for certain costs related to the issuance of the Bonds (i, ii, iii, iv, and v, collectively, the "Project"). All of the Facilities that are part of the Project will be owned and operated by the School as part of a co-educational private school for students from pre-kindergarten through grade 12.

The committee expressed support for the Project and had no further questions.

The committee recommended the Project to seek authorization at the March 8th Board meeting.

Noah Schumer (May 9, 2022 14:26 EDT)

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Noah Schumer
Deputy Executive Director, Build NYC Resource Corporation