

**Build NYC Resource Corporation
Finance Committee Discussion**

The Finance Committee convened on April 20, 2022, to discuss the following projects:

- FOGCCS 218 West 147th Street, LLC
- WFCS Holdings III, LLC

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: 2:15 PM

End: 2:45 PM

FOGCCS 218 West 147th Street, LLC

The Borrower is FOGCCS 218 West 147th Street, LLC, a New York limited liability company (the “Borrower”), the sole member of which is Friends of GCCS, Inc. (“Friends of GCCS”), 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”). Friends of GCCS is an affiliate of Global Community Charter School (the “School”), a New York not-for-profit education corporation, also exempt from federal taxation pursuant to Section 501(c)(3) of the Code, that currently serves students in pre-kindergarten through grade 7. The Borrower is seeking approximately \$26,500,000 in taxable and/or tax-exempt bonds to be issued as qualified 501(c)(3) bonds (collectively, the “Bonds”). Proceeds of the Bonds will be used as a part of a plan of finance to finance and/or refinance: (i) the acquisition of a 22,922 square foot building located on a 10,017 square foot parcel of land located at 218 West 147th Street, New York, New York (the “Facility”) and currently leased by the School; (ii) refinance debt incurred by the School currently outstanding in the approximate aggregate principal amount of \$4,000,000, which was used to finance prior renovations to the Facility; (iii) finance approximately \$3,500,000 of additional renovations to the Facility; (iv) any debt service reserve, capitalized interest and other reserves; and (v) certain costs associated with the issuance of the Bonds (i, ii, iii, iv, and v, being 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 grades 6 through 8.

Mr. Piverger asked how the International Baccalaureate program worked in a K-7th grade school, as that program is more commonly seen in high schools that allow students to earn college credits.

Mr. Schumer replied that there is a curriculum called the Primary Years Program that is part of the International Baccalaureate system and prepare students for International Baccalaureate high schools.

Mr. Piverger noted that the average cost per square foot for this project was approximately \$1,000 per square foot. He asked if that price was high, as it was not fully fitted out location or in a prime real estate location.

Mr. Schumer replied that he will speak with the CFO and ask which signifiers in the market guided their decision on the building for that price and ensure that due diligence was carried out on the price.

Mr. Dinerstein asked if the school is fully subscribed.

Mr. Schumer replied that the school is fully subscribed and that it recently received a charter renewal. Mr. Schumer then added that the school is expected to quickly fill the expansion being built for the addition of an eighth grade.

The committee recommended the Project to seek authorization at the April 26th Board meeting.

WFCS Holdings III, LLC

WFCS Holdings III, LLC (the "Borrower"), a Minnesota limited liability company, the sole member of which is Wonderful Foundations ("Wonderful Foundations"), an Oregon 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"). The Borrower is seeking approximately \$76,545,000 in tax-exempt and taxable bonds to be issued as qualified 501(c)(3) bonds (the "Bonds"). Proceeds of the Bonds, together with other funds available to the Borrower and Wonderful Foundations, will be used to finance : (i) the acquisition and renovation of an existing, occupied 71,191 square foot building located on a 27,054 square foot parcel of land located at 89-17 & 89-25 161st Street, Jamaica, New York (the "Facility"); (ii) any debt service reserve fund; and (iii) certain costs associated with the issuance of the Bonds (i, ii and iii collectively, the "Project"). The Facility is leased to two unaffiliated tenants, Friends of Growing Up Green Charter School (which has subleased its space in the Facility to Growing Up Green Charter School II ("GUGCS")), and New Dawn Charter High School operating as New Dawn Charter High School II ("NDCHS"), all of which have been determined by the IRS to be organizations described in Section 501(c)(3) of the Code. Upon acquisition of the Facility, the Borrower will become the landlord under the leases. GUGCS will operate a portion of the Facility as a public charter school serving students in kindergarten through grade 5, and NDCHS will operate a portion of the Facility as a public charter school serving students in grades 9-12.

Ms. Feirstein asked who the current owner of the school building is and how Wonderful Foundations got involved.

Ms. Marcus replied that the current building owner is Barone Management, which purchased the building a couple of years ago. She added that Wonderful Foundations has gotten involved because the school would represent the Wonderful Foundation's first project in New York City, which is a market that has been a part of their mission to enter. Ms. Marcus continued that Wonderful Foundations saw that the building was for sale and that its tenants were two well-performing charter schools. The schools seemed to be a low-risk method for market-entry.

Mr. Piverger asked who Wonderful Foundations is and why they are interested in this project.

Ms. Marcus replied that Wonderful Foundations is a mission-driven company with the goal of supporting charter schools across the country. Purchasing, owning, and being a landlord to charter schools is a large part of their mission.

Mr. Piverger stated that the Debt Service Cover Ratio (DSCR) was rather low and asked if it was based on the financials of the schools inhabiting the building or on the financials of Wonderful Foundations.

Ms. Marcus replied that the DSCR was based on revenues projected by Wonderful Foundations to be earned from tenant rental payments. This DSCR is reliable because it can be maintained through rental payments, even if the schools left the building. Wonderful Foundations can re-rent the building at a level that will keep the DSCR consistent.

Mr. Piverger asked why the interest rate for this deal was nearly 50 percent higher than the other deal.

Ms. Marcus replied that some reasons may be that Wonderful Foundations is a relatively new player in the New York City market and that they are not earning guaranteed revenues from Department of Education reimbursements like charter schools do directly.

Mr. Piverger asked if the financials of Wonderful Foundations may have prevented them from securing better rates. He then asked if there was confidence that Wonderful Foundations could continue to pay their bills if they lost their tenants.

Ms. Marcus replied that there is confidence that if they lose their tenants, they could find replacements based on their strong network and the high demand of Charter schools looking for quality rental facilities. From a financial perspective, they are a relatively new entity, with Wonderful Foundations being formed in 2018. They also form various entities to manage their schools, which has led to disjointed financials. Build NYC Staff has presented financials from an entity that does the same kind of work elsewhere in the country to show that it is viable.

Mr. Dinerstein asked where Wonderful Foundations is based and if Ms. Marcus could share more about them.

Ms. Marcus replied that they are based in Oregon, have a five-person board which is primarily based in Oregon, and they have done most of their work in California, Washington, and Arizona.

Mr. Dinerstein asked what kind of institutions Wonderful Foundations could rent to in the event of the charter school tenants leaving.

Ms. Marcus replied that, it is currently expected that this deal will be structured in a way that the facility could only be leased to charter schools.

Mr. Dinerstein asked if they would rent to another entity if a charter school was not available.

Ms. Marcus replied that such an action would likely require Board approval.

Mr. Del Vecchio asked if Wonderful Foundations has cash reserves sufficient to cover payments that may be due while searching for a potential tenant.

Ms. Marcus replied that there will be a debt service reserve fund that will be about \$10 million as a part of the Project's financing. As a result, they do have a fund that could cover two to three years of debt service, if it were ever needed.

Ms. Feirstein asked if Build NYC staff would be taking into account any of the other monies that this organization has from other properties.

Ms. Marcus replied that the only source of revenue for this particular borrower would be the rental payments received. Ms. Marcus adds that as a part of Wonderful Foundations' mission, they try to keep their rents as close to debt service as possible, and that they could likely have stronger financials if they raised rents.

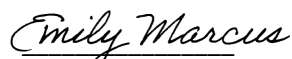
Ms. Feirstein asked for further information on the board members and executive director.

Ms. Marcus replied that there is a five-person board, which could be found on the board item. Wonderful Foundations itself has no staff and it works with a different organization called Charter School Capital Management. That company provides management and operations for charter schools and the special purpose entity operating under Wonderful Foundations. Ms. Marcus stated that she can get back to the Committee with more information on that entity.

Ms. Feirstein asked if there was any overlap between members of the Wonderful Foundations Board and Charter School Capital Management.

Ms. Marcus replied that she will get back to the Committee with that information.

The Committee agreed to wait for further information before making a decision about a recommendation to the Board.



Emily Marcus
Executive Director, Build NYC