

**Build NYC Resource Corporation
Finance Committee Discussion**

The Finance Committee convened on April 21, 2023, to discuss the following project:

- The Browning School

Finance Committee Members: Francesco Brindisi, Anthony Del Vecchio, and Douglas Rose

Build NYC Staff Members: Emily Marcus Falda, Noah Schumer, Weston Rich, Joseph Taecker-Wyss, and Leyla Arcasoy

Start: 9:30 AM

End: 9:51 AM

The Browning School

The Browning School (the “School” or the “Borrower”) is a New York not-for-profit corporation exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The School is an independent, college preparatory school that provides an education for boys in grades kindergarten through 12. The Borrower is seeking approximately \$40,000,000 in tax-exempt and taxable revenue bonds (the “Bonds”). Proceeds of the Bonds will be used to: (i) finance a portion of the costs of developing, converting and expanding an existing 5-story (plus cellar) building into a 56,900 square foot facility (and equipping, and furnishing the same) located on a 10,042 square foot parcel of land at 337 East 64th Street, New York, NY 10065 (the “Facility”); (ii) fund debt service reserve fund(s), if any; (iii) fund capitalized interest; and (iv) pay for certain costs related to the issuance of the Bonds. The School has leased the Facility and will operate such Facility as the Borrower’s Upper School, which will serve approximately 200 students in grades nine through twelve. Renovations to the Facility will include the conversion of the current structure into a five-story with mezzanine level (plus cellar) educational facility, including classrooms, a biology and chemistry lab, a library, a cafeteria, common areas, administrative and faculty offices, a gymnasium and storage and support areas (the “Project”).

Mr. Del Vecchio asked for clarification regarding the debt service coverage ratio of 1.14x for the fiscal year 2020 detailed in the presentation.

Ms. Arcasoy replied that upon review of the School’s financial statements that Corporation staff believed fiscal year 2020 was more indicative of a standard financial year due to an anomaly in how the School’s stock and securities were recorded.

Mr. Del Vecchio asked whether the debt service coverage ratio provided in the presentation for 2028 included projections that account for increased enrollment at the School.

Mrs. Marcus Falda confirmed and continued that Corporation staff did not have the projected enrollment data when calculating the fiscal year 2020 debt service coverage ratio but view the later as a more conservative estimate since it does not account for increased enrollment projections.

Mr. Rose asked why the bond issuance includes two series.

Mrs. Marcus Falda replied that Series A is in essence a bridge loan that will be repaid by 2030 and that Series B is the permanent and mortgage financing for the Project.

Mr. Rose asked what the School must provide for the public as a result of the Corporation’s private school policy.

Mr. Schumer confirmed that the Corporation does have a private school policy for independent K-12 schools which includes a facility sharing requirement.

Mrs. Marcus Falda added that the other requirements of the private school policy include a higher fee paid to the Corporation, a financial aid requirement, and a scholarship requirement.

Mr. Rose asked whether a private school may already meet these requirements before applying for financial assistance from the Corporation.

Mrs. Marcus Falda confirmed.

Mr. Del Vecchio asked what percentage of the student body receives financial aid.

Ms. Arcasoy replied approximately 20% during the previous academic year.

Mr. Rose commented on the adaptive reuse nature of the Project and applauded the School for redeveloping the Facility rather than demolishing it. Mr. Rose continued that the project required a variance and exemption from the New York City Board of Standards and Appeals, which was approved the prior month.

Mr. Del Vecchio asked for clarification regarding debt that was retired in 2018.

Ms. Arcasoy replied that the School issued bonds in 2012 that supported renovation work at the School's existing facility.

Mr. Del Vecchio asked if the bonds had been repaid or refinanced.

Ms. Arcasoy replied that they had been repaid.

Mr. Del Vecchio commented that this bodes well for the School to repay future debt. Mr. Del Vecchio added that he has no more questions and is in support of the Project.

Mr. Brindisi asked Corporation staff to share the School's financial projections and debt service calculations that were distributed prior to the Finance Committee Meeting. Mr. Brindisi and Corporation staff discussed the financial projections and debt service projections for the Series A and Series B financing. Mr. Brindisi commented that he cannot assess the financial projections shared by the Project underwriters without further clarification pertaining to certain assumptions, including the repayment of debt.

Mrs. Marcus Falda replied that the School has already begun fundraising and will receive a large deposit when the Facility opens in 2025.

Mr. Schumer added that the School hopes to cover debt service with cash flow but does have a large endowment reflected on the balance sheet.

Mr. Brindisi asked for further clarification regarding the financial model and repayment of debt.

Mrs. Marcus Falda replied that Corporation staff can request an updated model from the Project underwriters that more clearly outlines the repayment of certain debt and will share with members of the Finance Committee. Mrs. Marcus Falda added that Corporation staff can also share the School's fundraising schedule.

Mr. Rose asked if the anticipated 1.14x debt service coverage ratio can be found in the Project Board Book.

Mr. Schumer replied that the inputs used to calculate the debt service coverage ratio will be found in the Project Board Book.

Mrs. Marcus Falda closed the Build NYC Resource Corporation Finance Committee meeting.

Emily Marcus Falda

Emily Marcus Falda
Executive Director, Build NYC