Build NYC Resource Corporation
Finance Committee Discussion

The Finance Committee convened on July 21, 2023, to discuss the following projects:

- AMDA, Inc.

Finance Committee Members: Francesco Brindisi, Anthony Del Vecchio, Jacques-Philippe Piverger, and Douglas Rose
Build NYC Staff Members: Brinda Ganguly, Emily Marcus Falda, Noah Schumer, Weston Rich, Sophie King, Joseph Taecker-Wyss, and Leyla Arcasoy

Start: 11:03 AM
End: 12:00 PM

22 East 60 LLC
AMDA, Inc. ("AMDA" 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"), d/b/a the American Musical and Dramatic Academy, a college and conservatory that serves performing arts students with campuses in Los Angeles and New York City. AMDA is seeking approximately $68,680,000 in tax-exempt and taxable bonds issued as part of a plan of finance as qualified 501(c)(3) bonds for educational facilities under Section 145 of the Code (collectively, the "Bonds").

AMDA owns and operates the Manhattan properties at (i) 205 West 85th Street, an approximately 15,035 square foot six-floor building located on an approximately 4,087 square foot parcel of land (the "205 West 85th Street Facility"), for use as a dormitory; (ii) 207 West 85th Street, an approximately 17,856 square foot five-floor building located on an approximately 4,598 square foot parcel of land (the "207 West 85th Street Facility"), for use as a dormitory; (iii) 211 West 61st Street, an approximately 67,000 square foot four-floor commercial condominium comprised of four condominium units (the "61st Street Facility"), for use as classrooms, admissions viewing center, studios, offices and performance space and as a conservatory for the performing arts; (iv) 421-429 West 54th Street, an approximately 12,552 square foot one-floor commercial condominium comprised of two condominium units located on an approximately 7,500 square foot parcel of land (the "54th Street Facility"), for use as administrative headquarters. Manhattan Stratford Arms, Inc. ("MSA"), a New York not-for-profit corporation and a real estate holding organization affiliated with AMDA, owns the Manhattan property at 117 West 70th Street, an approximately 75,313 square foot building located on an approximately 9,790 square foot parcel of land (the "70th Street Facility;" collectively with the 205 West 85th Street Facility, the 207 West 85th Street Facility, the 61st Street Facility and the 54th Street Facility, the "Facilities"), which AMDA leases and operates as a dormitory.

As part of a plan of financing, proceeds from the Bonds, together with other funds available to AMDA will be used to:

(1) current refund the Build NYC Resource Corporation Revenue Bonds (AMDA, Inc. Project), Series 2015 (the "Build NYC 2015 Bonds"), originally issued in the principal amount of $21,000,000, the proceeds of which were used (i) in the approximate amount of $1,815,040 to finance and refinance the costs of the acquisition, construction, renovation, equipping and furnishing of the 70th Street Facility, and (ii) in the approximate amount of $14,400,781 to finance and refinance the costs of the acquisition, construction, renovation, equipping and furnishing of the 61st Street Facility;
(2) current refund the Build NYC Resource Corporation Revenue Bonds (AMDA, Inc. Project), Series 2018 (the "Build NYC 2018 Bonds"), originally issued in the principal amount of $34,250,000, the proceeds of which were used (i) in the approximate amount of $9,539,457 to finance and refinance the costs of the acquisition of the 207 West 85th Street Facility, (ii) in the approximate amount of $6,508,457 to finance and refinance the cost of the acquisition of the 205 West 85th Street Facility, (iii) in the approximate amount of $13,194,763 to finance and refinance the cost of the acquisition, renovation, furnishing and equipping of

the 54th Street Facility, and (iv) in the approximate amount of $1,337,307 to finance and refinance the cost of the renovation, furnishing and equipping of the 61st Street Facility; and

(3) refinance a taxable loan made to AMDA (the "2015 Taxable Loan") in the principal amount of $11,180,505, the proceeds of which were used (i) in the approximate amount of $4,472,202 to finance and refinance the costs of the renovation, equipping, and furnishing of the 70th Street Facility, and (ii) in the approximate amount of $6,708,303 to finance and refinance the costs of the renovation, equipping and furnishing of the 61st Street Facility;
(4) fund one or more debt service reserve funds;
(5) fund the payment of certain swap termination fees and costs; and
(6) fund the costs of issuance of the Bonds, (1) through (6), collectively, the "Project").

Mr. Del Vecchio asked for clarification on the projected DSCR, specifically at what point in time the DSCR is based on. Mr. Schumer explained that the projections shared with Build NYC were from fiscal years 2024 through 2029, and confirmed for Mr. Piverger that for the first three years, the debt service is based on interest only.

Mr. Del Vecchio asked about changes in enrollment since COVID. Mr. Schumer explained that the projections that were shared with Build NYC illustrate that projected enrollment is generally set to modestly increase across their multiple campuses.

Mr. Schumer explained that, based on the projections, there likely will not be a major increase in revenue based on enrollment changes, but more probably through the project's consulting contract. Mr. Taecker-Wyss also explained that the organization is working to become accredited in New York State for the associated bachelor's degrees, which is not included in the projections, but is another revenue stream.

Mr. Brindisi asked for clarification on a line on revenue in the projections, to which Mrs. Marcus-Falda provided additional clarity to Mr. Taecker-Wyss's earlier point. Mr. Piverger confirmed that the revenue streams of the associated bachelor's degree is included in the coverage ratio but not shown in the projections. Mr. Del Vecchio asked what the debt service coverage ratio would be without including that revenue stream. Mr. Schumer explained that the organization has some flexibility and that projections illustrate that the organization is well above the financial covenant for succeeding years.

Mr. Brindisi remarked that certain anticipated revenue streams don't come in, then the organization would not be able to make debt service.

Mr. Rose asked for more information about the consulting contract which demonstrates a significant revenue stream in the projections. Mr. Taecker-Wyss explained that the contract is expected to be executed in the fall with an international school that is seeking to begin operations in New York. The organization will serve as an advisor or consultant to the international school.

Mr. Brindisi asked if Build NYC staff has looked at the terms of the contract, to which Mr. Schumer responded that despite asking the organization for the contract, Build NYC has not been given access to the document.

Mr. Piverger asked if the organization is expecting the large consulting revenue streams from one singular client to which Mr. Schumer explained that the organization has shared there will be one client.

Mr. Piverger asked about the sublease agreement that the organization has with Health + Hospitals, specifically whether the kind of agreement reached is typical. Mr. Brindisi shared that he believes that it is a typical agreement.

Mr. Del Vecchio asked whether the subleases were at full capacity. Mrs. Marcus-Falda said that she is almost certain that they are.

Mr. Brindisi asked for clarification on where the school's current students were staying. Mr. Rose said that based on the projections, it seems as though the school is leasing additional space for student dorms.

Mr. Rose brought up the fact that the terms of the Health + Hospitals contract stipulate that after 18 months, either party can terminate the agreement, which means that the stream of revenue is not guaranteed after that 18-month window.

Mr. Brindisi confirmed that the organization is in violation of some of the covenants by way of the execution of the sublease with Health + Hospitals. Mr. Schumer explained that the facilities in question were previously covered by tax-exempt issuances and that the refinancing would make it so that the facilities would be covered by taxable bonds to comply with the IRS. Mr. Piverger asked about the implications of the decision to sublease the dorms, which would be in violation of the original 2015 issuance. Mr. Schumer explained that from an ethics perspective, the organization has a window of time to recalibrate for compliance with the IRS code, which is why the organization was hoping to close relatively early. Mrs. Marcus-Falda clarified that in order for the organization to remain in compliance with IRS code, they would need to refinance before the end of September.

Mr. Brindisi asked what kinds of savings the organization is receiving from the refinancing, and wondered whether the projections provided by the school were realistic.

Mr. Del Vecchio agreed that there were many unknowns and expressed a certain level of discomfort with the project.

Mr. Piverger inquired about the consequences of the organization breaching the minimum required debt service coverage ratio. Mr. Schumer explained that the organization is currently facing those potential consequences and is trying to recalibrate the circumstances so that they would not be in default status.

Mr. Rose asked what the organization's next steps might be if they did not receive approval and authorization from Build NYC to which Mr. Schumer explained that the organization might have to turn to a bank for a conventional loan which may or may not be affordable.

Mrs. Marcus-Falda assured the Finance Committee that Build NYC staff shared similar concerns, but given the Board of Directors meeting schedule, staff wanted to accommodate the organization's timing restraints.

Mr. Piverger asked if there existed any kind of additional security that could be provided that would abate the transaction's risk such as an extra inducement, higher fees, or assets for collateral. Mr. Schumer stated that the organization's facilities are already acting as collateral, and Build NYC is not in the practice of changing the fee schedule.

Mrs. Marcus-Falda brought up the simultaneous issuance that the organization is seeking in California, which is linked to the bond issuance in question through an intercreditor agreement. To Mr. Brindisi's question about the agreement, Mrs. Marcus-Falda explained that the two issuances have shared collateral.

Mr. Rose shared that, to his understanding, the mission of Build NYC is to support nonprofits in their effort to support community, culture, and economic development in New York City. To that point, Mr. Rose shared that he understands that the organization is in a dire position, and to some extent, is supportive of the project since the organization has previously received a bond issuance from Build NYC and is taking the proper steps to course correct. However, Mr. Rose also shared that there still existed very large and serious concerns, with specific reference to the mystery surrounding the consulting contract, which was not provided to Build NYC staff for review. Mr. Brindisi asked if Build NYC staff had any sense as to why the lender seemed amenable to a debt service coverage ratio less than 1.00 for one of the projected years. Mr. Brindisi also shared that he felt there was a long list of concerns that needed to be addressed before he would be able to find the transaction reasonable.

Mr. Del Vecchio asked another clarifying question about the structure of the intercreditor agreement between New York City and California, to which Mrs. Marcus-Falda expressed that counsel would need to speak to the nuances of the agreement.

Mrs. Marcus-Falda shared that it would be unlikely to receive and review all the necessary information in advance of the Build NYC Board of Directors meeting and offered the possibility to move the project to the September Board of Directors meeting if the organization can accommodate that timing.

The Committee recommended the Project not seek authorization at the July 25th Board meeting.

Noah Schumer
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Deputy Executive Director, Build NYC