Build NYC Resource Corporation
Finance Committee Discussion

The Finance Committee convened on June 1, 2023, to discuss the following projects:

- 22 East 60 LLC
- Friends of SBCSICA, Inc. & South Bronx Charter School for International Cultures and the Arts

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

Start: 11:04 AM
End: 12:01 PM

22 East 60 LLC
The borrower is 22 East 60 LLC (the "Borrower"), a Delaware limited liability company and a disregarded entity for federal tax purposes, the sole member of which is The French Institute-Alliance Francaise ("FIAF"), a New York not-for profit education corporation exempt from federal taxation pursuant to Section 501(c)(3) of the Code, as amended (the "Code"). The Borrower's purpose is to own, operate, lease, and finance the eight story, 48,562 square foot building located on a 6,600 square foot parcel of land at 20-24 East 60 Street, New York, NY 10022 (the "Facility") for the benefit of FIAF. The Borrower is seeking approximately $20,000,000 in tax-exempt qualified 501(c)(3) bonds to be issued pursuant to section 145 of the Code and taxable bonds (collectively, the "Bonds"). Proceeds from the Bonds will be used as part of the Borrower's plan of financing, including to: (i) refinance the Borrower's 2013 taxable loan, currently outstanding in the principal amount of approximately $16,000,000 (the "2013 Loan"), (ii) fund improvements and renovations to the Facility in the amount of $3,600,000, including but not limited to redesigning and renovating entrance spaces, adjusting electrical and replacing lighting, removing the sidewalk canopy, upgrading the library, classrooms, and other facilities, removing an escalator, and expanding the stair landing and creating new roof access, and (iii) pay for certain costs related to the issuance of the Bonds (collectively, the "Project"). The 2013 Loan (i) refinanced two taxable loans that financed improvements, renovations, and costs of the Facility, (ii) financed improvements, renovations, and costs of the Facility, and (iii) current refunded the outstanding New York City Industrial Development Agency Variable Rate Demand Civic Facility Revenue Bonds (French Institute- Alliance Française de New York—Federation of French Alliances in the United States Project) Series 2005 (the "2005 Bonds"). The 2005 Bonds financed the expansion, improvement, renovation, construction, and equipping of the Facility, including, but not limited to: (i) the improvement and renovation of the then 43,210 square foot Facility, (ii) the expansion of the Facility by 4,238 square feet, and (iii) the purchase of machinery and equipment for use at the Facility.

Mr. Del Vecchio asked for further clarification with respect to the breakdown of the use of funds for the transaction. Mr. Taecker-Wyss explained that of the $20 million, $16 million is for refinancing previous debt and $4 million is going towards renovations.

Mr. Piverger asked for more information about the original issuance of debt relating to the $16 million refinancing portion of the transaction.

Mr. Taecker-Wyss explained that the refinanced amount is a combination of an original issuance in 2005, which was refinanced once before in 2013, and that the Borrower was in good standing on the debt.

Mrs. Marcus Falda explained that the 2005 bonds financed the expansion, improvement, renovation, and construction of the current facility.

Mr. Del Vecchio asked if the Borrower had a pattern of refinancing debt as it came close to maturity.

Mrs. Marcus Falda acknowledged that this was something that Build NYC staff had flagged and carried out further investigation into and explained that the Borrower's financial advisors and lenders expressed that they were comfortable with this strategy.

Mr. Del Vecchio asked if the Borrower has always been cash flow positive.

Mrs. Marcus Falda explained that throughout the pandemic, cash flows were positive.

Mr. Piverger asked about the projected growth of the French Institute given the challenges that those kinds of institutions have been experiencing.

Mr. Taecker-Wyss explained that the French Institute's anticipated growth is driven primarily through fundraising and a reworking of their development strategies. The second driver would be enrollment in their language classes which they plan to regrow enrollment in following a dip in enrollment due to the pandemic.

Mr. Rose expressed a concern that the finances are a little tight and that they seem to be very reliant on a strong development strategy and asked for more detail on how the Borrower's reserved cash.

Mr. Taecker-Wyss said that 26% of their $13 million in reserves is unrestricted.

Mr. Brindisi asked if it was part of due diligence to review the bank's analysis. Mrs. Marcus Falda explained that it is not, but that Build NYC staff works closely with the underwriters of the transaction to understand it.

Mr. Rose asked if the private school policy was applicable to this institution, to which Mrs. Marcus Falda responded no.

Mrs. Ganguly pointed out that their expenses are modular, and can be adjusted if they are unable to achieve a certain revenue level. Mr. Taecker-Wyss and Mrs. Marcus Falda elaborated that certain costs like marketing, which are expended to drive revenue forward, can be adjusted if they find themselves in a tight cash position.

Mr. Brindisi asked about the merit of the costs and return of fundraising and development. Mr. Taecker-Wyss explained that prior to the pandemic, fundraising galas played a big role in the institute's development strategy, and that although they were suspended because of pandemic protocols, they aim to reinstitute them moving forward.

Mr. Rose asked about the potential of risk being taken with this transaction, and on a larger scale, all Build NYC transactions. Mrs. Marcus Falda explained Build NYC takes on no financial risk but that there is some reputational risk should a transaction fall through, which is why Build NYC staff thoroughly reviews the projects: to ensure that, to the best of all parties' ability, this does not happen.

Mr. Del Vecchio confirmed again the amount of money in reserves, and expressed that the availability of 26% of the $13 million in reserves being unrestricted made him feel more comfortable with the financials.

The Committee recommended the Project to seek authorization at the June 6^h Board meeting.

Friends of SBCSICA, Inc. & South Bronx Charter School for International Cultures and the Arts
Friends of SBCSICA, Inc. ("Friends"), 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 sole member of which is 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 Code, as borrowers. Friends and the School are seeking approximately $37,678,502 in tax-exempt and/or taxable revenue bonds (the "Bonds"). The tax-exempt bonds will be issued as part of a plan of finance as qualified 501(c)(3) bonds for educational facilities under Section 145 of the Code. Proceeds from the Bonds will be used to: (i) refund approximately $21,650,000 outstanding Build NYC Resource Corporation Revenue Bonds (South Bronx Charter School for International Cultures and the Arts Project), Series 2013A, originally issued in the aggregate principal amount of $22,400,000 ("Series 2013A bonds"), the proceeds of which financed and/or refinanced: (a) a portion of the costs associated with the School's acquisition of an approximately 15,714 square foot building on an approximately 8,742 square foot parcel of land, the demolition of the building, the construction and equipping of a new approximately 39,614 square foot, 5-story educational facility located at 164 Bruckner Boulevard, Bronx, New York (the "Facility"); and (b) certain debt service reserve fund(s) and capitalized interest account(s) relating to the Series 2013A bonds; and (ii) fund certain costs for the School to acquire a vacant approximately 22,388 square foot parcel of land located at 2500/2510 Park Avenue, Bronx, NY (the "Land"), anticipated to serve as the location of a future middle/high school building; (iii) finance and/or refinance certain eligible predevelopment costs in connection with the School's acquisition of the Land; (iv) fund debt service reserve fund(s) and capitalized interest account(s); and (v) pay for certain costs related to the issuance of the Bonds. Friends will own the Facility and will lease the Facility to the School, which will operate the Facility as a public charter school serving students from kindergarten through Grade 7. The School will own the Land, which will be held for future development by the School or Friends for use as a public charter school to be operated by the School.

Mr. Rose asked about the creation of new jobs as part of this transaction.

Ms. Arcasoy explained that although there is no new construction associated with this transaction, the School is actively growing their enrollment, and with that growth, is hiring additional faculty and staff to keep up with growing operations.

Mrs. Marcus Falda explained that there are two major components as part of the transaction, the first being a refinancing of the debt that was originally issued to fund the construction of the existing k-8 facility. She elaborated that because the School is a dual language school, there is a unique risk profile associated with the transaction, but that the School is in the process of recovering from the dip in enrollment due to the pandemic. The second part of the transaction is the acquisition of land for new construction. The School originally wanted to commence construction on the land, but because of the current financial markets, construction is less financially feasible.

Mr. Rose asked if the School was up for renewal. Mrs. Marcus Falda explained some of the reasoning and strategy behind asking schools for details regarding their charter renewal. Ms. Arcasoy said that the School has had multiple charter renewals and would be up for renewal after 2025.

Mr. Rose asked about competition for seats at charter schools in the area and mentioned the proximity of the KIPP School nearby.

Mrs. Marcus Falda explained that SBCSICA is one of the only schools in the city that has a dual language program and that their student population really draws from the Spanish speaking population that makes up the surrounding neighborhoods.

Mr. Del Vecchio further asked if the school is aiming to replicate or draw on the demand for other networked charter schools in the area.

Mr. Schumer responded with anticipation of some overlap in demand, but that SBCISCA offers a unique specialization that will likely draw its own demographics. Ms. Arcasoy added that SBCSICA enrolls the highest number of ELL students in the community district and has one of the highest enrollments of those students in the Bronx.

Mr. Del Vecchio asked for the definition of a dual language program. Mrs. Marcus Falda explained that dual language programs mean that all students are taught the curriculum in both languages.

Mr. Rose acknowledged the BSA variance associated with this site and asked for more information about the debt service ratio calculation.

Mr. Schumer explained that there were two models provided to Build NYC staff by the School. Ms. Arcasoy presented both models and walked the members of the Finance Committee through the models and the calculations.

Ms. Arcasoy explained that the anticipated drivers of growth in revenue are the per pupil reimbursements and the rental assistance that the school will be eligible for as part of the shift in ownership to the Friends of organization.

Mr. Rose expressed that he felt the School was on solid financial ground.

Mrs. Marcus Falda explained that tax-exempt financing does not allow land banking, so if construction does not begin within a certain time frame, the funds will have to be refunded and reissued as taxable.

Mr. Piverger asked to get a sense of clarity with respect to what a "strong" waitlist meant. Ms. Arcasoy responded by explaining that the waitlist currently shows a 1:1 ratio of enrolled seats and waitlist spots.

In response to confusion about enrollment growth, Ms. Arcasoy explained that the School is leasing out temporary space at another location to house their additional grades before the high school is constructed.

Mr. Brindisi asked how the School will support their anticipated future construction, to which Mrs. Marcus Falda responded by explaining that time will tell if the School's projections for enrollment and revenues pan out. Mr. Del Vecchio reiterated the potential consequences if that does not happen.

The Committee recommended the Project to seek authorization at the June 6th Board meeting.

Emily Marcus Falda

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Emily Marcus Falda
Executive Director, Build NYC