

**Build NYC Resource Corporation  
Finance Committee Discussion**

The Finance Committee convened on March 02, 2023, to discuss the following project:

- 584 Driggs FONB, LLC

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

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

Start: 11:00 AM

End: 11:13 AM

**584 Driggs FONB, LLC**

584 Driggs FONB, LLC is a Delaware limited liability company and a disregarded entity for federal income tax purposes (the “Borrower”) whose sole member is Friends of Northwest Brooklyn, Inc. (“FONB”), 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”). FONB is an organization that seeks to improve public education and educational opportunities by providing financial support to aid with the development, formation, operation and administration of charter schools in New York City, including Unity Preparatory Charter School of Brooklyn (the “School”), a public charter school for students from grades six through twelve. The Borrower is seeking approximately \$27,000,000 in tax-exempt and taxable bonds (the “Bonds”). The tax-exempt bonds will be issued as part of a plan of finance of qualified 501(c)(3) bonds for educational facilities under Section 145 of the Code. Proceeds of the Bonds will be used to finance or reimburse the costs of: (i) the acquisition of an approximately 20,400 square foot three floor facility located on an approximately 6,390 square foot parcel of land located at 584 Driggs Avenue, Brooklyn, New York (the “Facility”); (ii) renovations at the Facility; and (iii) funding debt service reserve funds, capitalized interest and certain costs related to the issuance of the Bonds (collectively, the “Project”). The Facility will be owned by the Borrower and leased to the School pursuant to a lease (the “School Lease”), and the School will continue to operate the Facility as a public charter school serving students in grades nine through twelve.

*Mr. Del Vecchio asked if the purpose of the Project was to accommodate a growing student body.*

*Mr. Rich replied that the primary purpose of the Project is debt service savings and indicated that current rent payments by the Borrower are more than what the Borrower would be paying under the Project financing terms.*

*Mrs. Marcus Falda added that the Borrower is currently leasing the Facility and is at near capacity for student enrollment, with some room to grow although not significantly.*

*Mr. Del Vecchio asked if the School enrollment has been historically at near capacity.*

*Mr. Rich replied that the School, including a middle and high school, is at capacity for the middle school and has some room to grow at the high school level but currently enjoys the current grade size and the position they are in from a sizing perspective.*

*Mrs. Marcus Falda added that the School’s charter enables them to have some additional students but there is a size constraint with the Facility.*

*Mr. Brindisi asked if the size constraint was related to the current Facility or a new building.*

*Mrs. Marcus Falda clarified that there is no new building and that the Project is related only to the Facility that is currently leased by the School and the focus of the Project.*

*Mr. Rich added that the School does not want to overpopulate the classroom sizes.*

*Mr. Rose asked if the Bonds are primarily meant to finance the Facility acquisition.*

*Mr. Del Vecchio added that renovations were mentioned during the presentation and asked for details around the type of renovations.*

*Mr. Rich replied that the renovation work is a relatively minor part of the Project and there is \$2 million budgeted for renovation work. Mr. Rich added that renovation work is for the interior of the Facility and will consist of new paint, new tiles, and a new HVAC system.*

*Mrs. Marcus Falda added that the renovation work includes items that the Borrower would likely not finance if they were not the owner of the Facility.*

*Mr. Del Vecchio indicated that the School had a loan forgiveness that was recognized in 2022 and asked how this impacted Corporation staff's review of the DSCR.*

*Mr. Rich replied that using the DSCR calculation based on the School's 2021 financial statements provided a better estimate of their ability to repay the debt and was more in line with a standard year's financial position.*

*Mr. Del Vecchio agreed.*

*Mrs. Marcus Falda expressed her appreciation towards Mr. Brindisi for his comments to the Corporation staff's DSCR calculations. Mrs. Marcus Falda added that the Corporation staff reviewed financial information dating back the previous five years that was provided in the School's charter renewal application to the NYSED Board of Regents and that this information helped Corporation staff better gauge the School's historic financial position in comparison to the current financial position.*

*Mr. Rose asked if the Corporation has a target or threshold DSCR that is considered when reviewing applicant finances.*

*Mrs. Marcus Falda indicated that she would defer to Mr. Del Vecchio, but that Corporation staff has noticed investors in the market look for a minimum DSCR of 1.1x, which is low when compared to other investment categories, but is typically the minimum for the charter school market.*

*Mr. Rose asked if this was because of stable revenue streams.*

*Mrs. Marcus Falda confirmed.*

*Mr. Del Vecchio added that in the past, the Build NYC Resource Corporation Board of Directors has approved projects with lower DSCRs.*

*The Finance Committee discussed previous project DSCRs and concurred that most projects have a DSCR of around 1.5x. Mrs. Marcus Falda added that sometimes private schools will have a higher DSCR than the average project, which is not uncommon.*

*Mr. Brindisi asked if previous projects approved by the Board of Directors can meet their debt service payments.*

*Mrs. Marcus Falda replied that the Corporation's portfolio of projects is performing well, and that the Corporation has a Compliance department that monitors this and has not indicated that there is a project that cannot meet their debt service payments.*

*Mr. Del Vecchio asked if the Corporation creates a credit rating for projects.*

*Mrs. Marcus Falda replied that the Corporation does not create a credit rating, but that an underwriter typically provides projected terms, as in the case with the Project. Mrs. Marcus Falda added that she can share the preliminary term sheet prepared by the underwriter for the Project.*

*The Finance Committee agreed.*

*Mr. Rose asked if charter school charters are renewed every five years and what are the criteria for renewal.*

*Mrs. Marcus Falda replied that the NYSED Board of Regents considers academic success, graduation rates, enrollment, and financial strength. Mrs. Marcus Falda added that charter schools typically go through this process every five years and in cases when a charter school has not been granted a renewal, the Corporation will not issue bonds until the school can demonstrate proof of renewal. Mrs. Marcus Falda further added that the Corporation, as it has done before, put a contingency in the Resolution that the Corporation will not close on or issue the Bonds until after the School can demonstrate an approved charter renewal.*

*Mr. Brindisi asked what the security is for the Bonds.*

*Mr. Rich replied that the security contains an assignment of lease payments and rents, a mortgage lien, and a pledge of revenues by the Borrower.*

*Mr. Brindisi asked if FONB is subject to any security provisions of the Bonds.*

*Mrs. Marcus Falda replied that FONB is pledging the security interest in the Facility, the mortgage lien, and is also pledging the rental payments received from the School.*

*Mr. Brindisi asked about the in-kind contributed rent as mentioned in the School's financial statements.*

*Ms. Robinson indicated that this was in reference to the School's middle school.*

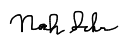
*Mrs. Marcus Falda added that this Project is concerned specifically with the School's high school and that FONB serves both the School's middle and high schools.*

*Mr. Brindisi added that he has no further questions.*

*Mr. Del Vecchio added that he is in support of the Project.*

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

*The Committee recommended the Project to seek authorization at the March 7<sup>th</sup> Board meeting.*



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**Noah Schumer**  
**Deputy Executive Director, Build NYC**