

**Build NYC Resource Corporation
Finance Committee Discussion**

The Finance Committee convened on September 12, 2023, to discuss the following projects:

- 586 River Ave., LLC
- TEP Charter School Assistance, Inc. & Sherman Tiger LLC

Finance Committee Members: Francesco Brindisi, Douglas Rose

Build NYC and NYCEDC Staff Members: Emily Marcus Falda, Noah Schumer, Jeanny Pak, Brinda Ganguly, Weston Rich, Sophie King, Joseph Taecker-Wyss, and Leyla Arcasoy

Start: 2:28 PM

End: 3:00 PM

586 River Ave., LLC

586 River Ave., LLC, is a Delaware limited liability company and a disregarded entity for federal income tax purposes (the “Borrower”) whose sole member is Success Academy Charter Schools, Inc. (“SACS”), a Delaware 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”). SACS is a charter management organization founded to provide academic and business services to Success Academy Charter Schools – NYC, a New York not-for-profit education corporation exempt from federal income taxation pursuant to Section 501(c)(3) of the Code (the “School”). The Borrower is seeking approximately \$250,000,000 in tax-exempt bonds (the “Bonds”). The 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 a portion of the costs of: (i) the construction and equipping of a 309,000 square foot facility on an approximately 98,972 square foot parcel of land located at Bronx Tax Block 2354, Lot 1, currently known by the street addresses 580-586 River Avenue, 101-119 East 150th Street and 587-595 Gerard Avenue Bronx, New York, (the “Facility”); (ii) a debt service reserve fund; (iii) capitalized interest; and (iv) certain costs related to the issuance of the Bonds (collectively, the “Project”). The Facility will consist of an elementary school, middle school, high school, and common areas in one building, with separate entrances. The Facility will be owned by the Borrower and leased to the School, which will operate the Facility for educational purposes as three public charter schools serving approximately 2,400 students from kindergarten through Grade 12.

Mr. Rose asked about the waiting list and demand for seats in the school given the saturation of schools in the area. Mr. Rich explained that the new facility will be receiving enrollment through students already within the School’s network and explained that the geographic area has the greatest demand for charter school seats.

Mr. Rose asked for further clarification on revenue flow. Mr. Rich explained that the charter network is expecting to add new schools and new seats which will increase per pupil revenues. Mrs. Marcus Falda added that the School expects to be able to repay the bonds with just one revenue stream but could pull from other sources if needed.

Mr. Rose asked about unrestricted cash available and mentioned that the School received a large donation from Bloomberg. Mr. Rich explained that the donation is separate from the School’s otherwise available cash on hand. Mr. Rich added that the majority of cash on hand is unrestricted.

Mr. Rose asked about the School’s charter renewal, to which Mr. Rich stated that the network has 38 charters with the most recent having been issued that year.

Mr. Rose asked if they had any relationship with Build NYC before to which Mr. Rich explained that the School had previously applied for bond issuance through Build NYC in 2019 but could not move forward because their desired property came off the market.

Mr. Brindisi asked for clarification on the borrower, to which Mr. Rich explained that an entity created from the charter management organization would be acting as borrower for the transaction.

Mr. Brindisi asked for more clarification on what existing expenses and debt service were included in the debt service calculation to take on the debt associated with this transaction, for which Mr. Rich was able to provide additional information.

Ms. Pak added that, in addition to this being the Corporation's largest transaction, the transaction will be investment grade and going to capital markets, which would necessitate robust diligence.

The Committee recommended the Project to seek authorization at the September 19th Board meeting.

TEP Charter School Assistance, Inc. & Sherman Tiger LLC

TEP Charter School Assistance, Inc. ("TEPCSA") is a New York not-for-profit corporation, and Sherman Tiger LLC will be formed as a Delaware limited liability company and a disregarded entity for federal income tax purposes ("Sherman Tiger"; together with TEPCSA, the "Borrowers"). The sole member of Sherman Tiger will be The Equity Project Charter School (the "School" or "TEP"), 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 Borrowers will be seeking approximately \$16,000,000 in tax-exempt bonds (the "Bonds"). Proceeds of the Bonds will be used to: (i) refinance the approximately \$15,200,000 outstanding principal balance of a taxable construction loan that was funded in the original amount of \$17,250,000, the proceeds of which were used to finance the costs of constructing, equipping, and furnishing of an approximately 60,000 square foot educational facility located on an approximately 12,000 square foot parcel of land at 153 Sherman Avenue, New York, NY 10034 (the "Facility"); and (ii) pay for certain costs related to the issuance of the Bonds (collectively, the "Project"). The Facility is owned by TEPCSA and is currently leased to the School. The School operates the Facility as a public charter school serving students in its middle school from grades 5 through 8. On the date of issuance of the Bonds, the Facility will be leased to Sherman Tiger from TEPCSA pursuant to a long-term lease and will be subleased from Sherman Tiger to the School.

Mr. Rose asked for additional information regarding the previous debt being refinanced and why it is being refinanced to which Ms. Arcasoy explained that the debt is reaching maturity and the terms of the refinancing were more favorable.

Mr. Rose asked about the School's charter, to which Ms. Arcasoy explained that the School has received their third charter renewal since establishment and has high academic performance.

Mr. Brindisi asked about the School's projected growth, to which Ms. Arcasoy confirmed that the School would be experiencing natural growth in revenues.

Mr. Brindisi also asked about lease expenses listed on the School's projections, which Mrs. Marcus Falda explained that the School has multiple leased properties but only one property will be part of the transaction. Ms. Arcasoy also explained that interest expenses are taken on by the School's support corporation, which lends itself to the debt service coverage calculation.

Ms. Arcasoy clarified the borrower structure to Mr. Brindisi, explaining the relationship between the School, the support corporation, and the LLC entity.

Mr. Rose confirmed the debt service schedule prior to closing of the refinancing, and Mr. Brindisi asked to confirm the role of inducement arguments in Build NYC transactions.

Mr. Rose expressed gratitude to staff for having historical and future financials in the School's pro forma.

The Committee recommended the Project to seek authorization at the September 19th Board meeting.

Emily Marcus Falda

Emily Marcus Falda
Executive Director, Build NYC