Build NYC Resource Corporation
Finance Committee Discussion

The Finance Committee convened on November 1, 2018 to discuss the following projects:

- Brooklyn Navy Yard Cogeneration Partners, L.P.
- Richmond University Medical Center

Finance Committee Members: Andrea Feirstein and Jacques-Philippe Piverger
Build NYC Staff Members: Kyle Brandon, Emily Marcus, Krishna Omolade.

Start: 4:30 PM
End: 5:00 PM

Brooklyn Navy Yard Cogeneration Partners, L.P.

Brooklyn Navy Yard Cogeneration Partners, L.P. (the “Applicant”), a limited partnership organized under the laws of the State of Delaware, as borrower, is seeking approximately $82,135,000 in tax-exempt subordinate, unsecured revenue bonds (the “Bonds”). Proceeds from the Bonds, together with proceeds of certain senior notes to be issued by the Applicant, amounts available under letters of credit, and funds provided by the Applicant, will be used to refund the $307,000,000 of New York City Industrial Development Agency Industrial Development Revenue Bonds (Brooklyn Navy Yard Cogeneration Partners, L.P. Project), Series 1997 (the “Refunded Bonds”). The Refunded Bonds were issued to refund prior bonds issued by the New York City Industrial Development Agency to finance or refinance a portion of the cost of the development, construction and improvement of a 286 megawatt cogeneration power plant (the “Facility”) and the related acquisition and installation of machinery, equipment, furniture, fixtures and other tangible person property for use at the Facility to provide facilities for the local furnishing of electric energy. The owner of the Facility and all such related property is the Applicant. The Facility is located at Building B-41 at the intersection of Fifth Street and Morris Street in the Brooklyn Navy Yard, Brooklyn, New York.

Mr. Piverger asked what type of energy is produced by the facility, and whether or not it was accurate to classify this as a sustainable energy source (as stated in the Board Book).

Mr. Omolade described Cogeneration as a process by which natural gas is converted into electricity and steam. Mr. Brandon agreed that it was an error to classify the energy produced via this process as sustainable because natural gas is a finite resource.

A Committee Member asked why the entire 1997 IDA bond issuance isn’t being refinanced with tax-exempt debt.

Mr. Brandon replied that this decision was based, in part, upon the restrictions imposed on tax-exempt refunding bonds.

A Committee Member asked if the Applicant would reduce their annual debt service as a result of the proposed refunding, and if not, what the purpose of the project was.

Mr. Brandon replied that the reduction in debt service through 2026 is $49.86 million, but that the bond issuance will not ultimately result in overall savings because there will be more debt outstanding for a longer period of time. The purpose of the project is to restructure the existing debt after the change in ownership of the Facility.

Ms. Feirstein asked what the debt service coverage ratio would be for the tax-exempt bond, and what the debt service coverage ratio would be for the taxable bond, and expressed concerns about the Applicant's ability to pay debt service.

Mr. Omolade provided the following information to Committee Members via email on Tuesday, November 6th:

- *The bond refinancing is part of a transaction where Axium Infrastructure is purchasing the Cogeneration plant from Ares Management. Due to tax regulations related to using tax-exempt bonds in the acquisition of an existing asset, the firm selected to only refinance a portion of the outstanding NYCIDA 1997 bonds using tax-exempt bonds through Build NYC. The remainder of the outstanding NYCIDA bonds and other assets of the facility will be acquired and/or refinanced using Senior taxable notes. The Senior notes total $322,512,000 and the Build NYC tax-exempt bonds total $82,135,000.*
- *The minimum debt service coverage ratio for the Senior notes is 1.75x, the minimum DSCR for the tax-exempt bonds is 1.4x. The debt service for both the Senior notes and the tax-exempt bonds will be designed to achieve these minimum DSCR's based on anticipated cash flows. The cash flows are expected to remain consistent due to long-term off-take contracts with Con Edison, the Brooklyn Navy Yard Corporation, and the Red Hook Wastewater Treatment Facility*
- *The sculpted debt service coverage ratio of 1.4x is based on estimated free cash of $14,810,080 and annual combined debt service of $10,578,628. This debt service amount includes both the Senior taxable notes and the Junior Tax Exempt notes.*
- *Attached is an analysis that the Navy Yard Cogen's financing team provided comparing the debt service on the existing bonds and other taxable debt (the facility has existing senior notes in addition to the NYCIDA tax-exempt bonds) and the debt service on the new Senior notes and Junior tax-exempt bonds. The facility is anticipating a debt service savings between 2020 and 2026. After 2026 the debt service will increase; the existing NYCIDA bonds are scheduled to mature after 2026 which means there is a direct savings over that period of time. Since the maturity of the new debt will be longer than the maturity of their existing debt and since the Senior notes include the value of the existing assets, the overall debt service will increase. However, the revenue from the existing off-take agreement is anticipated to be more than sufficient to cover debt service for the Senior notes and tax-exempt bonds.*

After reviewing the additional information, the committee recommended the Project to seek authorization at the November 1st Board meeting.

Richmond University Medical Center

Richmond Medical Center, doing business as Richmond University Medical Center ("RUMC"), a New York not-for-profit corporation, which is exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal

Revenue Code of 1986 and which provides hospital and other health-care services is seeking approximately
$150,280,000 in tax-exempt revenue bonds (the “Bonds”). Proceeds from the Bonds will be used as part of a plan of financing to: (1) finance the design, construction, furnishing and equipping of a new approximately 56,000 square foot building located on the southeast portion of an approximately 578,550 square foot parcel of land located at 355 Bard Avenue Staten Island, New York 10310; (2) finance the design and construction of a new approximately 250 space parking lot located on an approximately 115,000 square foot vacant parcel of land located directly behind at 669 and 657 Castleton Avenue, Staten Island, New York 10301; (3) finance the acquisition and installation of a cogeneration facility and associated equipment located within the RUMC boiler plant situated on the southeast portion of the land located at 355 Bard Avenue, Staten Island, NY 10310 which will be used to provide electrical energy to RUMC; (4) finance infrastructure improvements, including, but not limited to, elevator upgrades and roof repair and replacement, with respect to various buildings located at 355 Bard Avenue, Staten Island, New York, (5) refinance existing taxable loans that were used to finance the renovation, furnishing and equipping of an existing approximately 68,000 square foot residential building located on an approximately 82,000 square foot parcel of land located at 288 Kissel Avenue, Staten Island, New York 10310, which is primarily used to provide, among other things, employee housing to interns and residents in the physician graduate education program, and (6) refinance existing taxable loans that were used to finance the acquisition, renovation, furnishing and equipping of an existing approximately 4,900 square foot primary care facility located on an existing approximately 15,400 square foot parcel of land located at 1058 Forest Avenue, Staten Island, New York 10310; (7) fund a debt service reserve fund; and (8) pay for certain costs related to the issuance of the Bonds (collectively, the “Project”). The facilities to be financed and refinanced by the Project are or will be owned by RUMC and will allow RUMC to enhance and expand its medical and health care services.

Ms. Feirstein asked if the existing loans being refinanced with Bond proceeds are eligible for tax-exemption.

Ms. Marcus responded that the existing loans are eligible for tax-exemption because the proceeds from the loans were used for eligible purposes according to the IRS.

The committee recommended the Project to seek authorization at the November 7th Board meeting.