

**Build NYC Resource Corporation  
Finance Committee Discussion**

The Finance Committee convened on May 15, 2025, to discuss the following project(s):

- ERE425, LLC
- Hadran Academy, Inc. & Lawrence Charitable Trust

Finance Committee Members: Francesco Brindisi and Ellen Baer

Build NYC and NYCEDC Staff Members: Brinda Ganguly, Emily Marcus, Noah Schumer, Michael Parella, Weston Rich, Sophie King, Leyla Arcasoy

Start: 10:35 AM

End: 11:10 AM

**ERE425, LLC**

The borrower will be ERE425, LLC (the “Borrower”), a New York limited liability company and a disregarded entity for federal income tax purposes, whose sole member is EducationRE, Inc. (“EducationRE”), a Florida 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”). EducationRE was formed to assist under-served and under-resourced schools with development and financing solutions. EducationRE will be assisting in the development of the Facility (as defined below) for the benefit of Zeta Charter Schools, Inc. (“Zeta CMO”), a Delaware not-for-profit corporation exempt from federal income taxation pursuant to Section 501(c)(3) of the Code, which is a charter management organization formed to provide academic and business services to Zeta Charter Schools – New York City (“Zeta NYC”), a New York not-for-profit education corporation exempt from federal taxation pursuant to Section 501(c)(3) of the Code, which operates public charter schools. The Borrower is seeking approximately \$128,745,000 in tax-exempt and/or taxable bonds (the “Bonds”). The tax-exempt bonds will be issued as part of a plan of finance of qualified 501(c)(3) bonds under Section 145 of the Code. Proceeds of the Bonds will be used to finance or reimburse: (i) the acquisition, renovation and equipping of an approximately 97,381 square foot condominium unit (the “Zeta Unit”) and an approximately 35,612 square foot condominium unit ( “Unit 2” and collectively with the Zeta Unit, the “Condo Units”) located within an existing approximately 145,416 square foot, 10-story mixed-use building located on an approximately 19,155 square foot parcel of land known by the street address 425 Westchester Avenue, Bronx, New York (the “Facility”); (ii) fund a debt service reserve fund; (iii) fund capitalized interest, if necessary; and (iv) pay certain costs related to the issuance of the Bonds ((i-iv) collectively, the “Project”). The Borrower will lease the Condo Units to Zeta CMO, which will sublease the Condo Units to Zeta NYC. Zeta NYC will operate the Condo Units as a public charter school serving approximately 1,350 students from pre-kindergarten through Grade 8 and an administrative office space for Zeta NYC and/or Zeta CMO.

*Mr. Brindisi asked for greater detail with respect to Zeta’s lease with the landlord, with special reference to the NYCIDA transaction on the office space that occupied some amount of the project facility. Mr. Rich stated that the entire facility is a large, mixed-use building with three condo units. He explained that the current property owner was the recipient of NYCIDA financial benefits several years ago to support the ground-up development of the building. He stated that the NYCIDA deal had to be terminated in order for Build NYC benefits to be conferred to Zeta as the borrower of tax-exempt bonds.*

*Mr. Brindisi noted that the building is relatively new. Ms. Marcus confirmed that the building is relatively new, and that proceeds of the bonds would be used to purchase the two larger condominium units in the building as well as finance slight renovation to convert office space into classrooms and connect the two units for Zeta’s operations.*

*Ms. Baer asked to clarify the FF&E budget. Mr. Rich explained that the FF&E budget is projected to be approximately \$1.25 million.*

*Mr. Brindisi asked what EducationRE's role in the transaction will be. Mr. Rich explained that EducationRE intentionally structured this deal to enter the New York City market, while supporting a charter school network that has mission alignment.*

*Mr. Brindisi asked what Zeta would pay if they were to exercise the call option. Mr. Rich stated that Zeta would have to pay a very minimal price to EducationRE to cover legal costs and costs of issuance.*

*Mr. Brindisi asked for greater detail on the \$66 million loss on the financial statements for the Zeta CMO. Mr. Rich stated that that is a product of new accounting principles to record leases which began in 2023.*

*Mr. Brindisi asked if Zeta will be pledging network-wide revenues for the bonds. Mr. Rich stated that Zeta will be pledging lease revenues for this project site. Mr. Rich clarified that the projected debt service coverage ratio is inclusive of all of Zeta's speculative debt service or lease payments.*

*Mr. Brindisi asked about Zeta's enrollment growth and whether Corporation staff found it sustainable. Mr. Rich explained that while enrollment growth was aggressive, it is in line with Zeta's historic enrollment growth within the last two academic years. Mr. Schumer added that Zeta had previously received a rating from S&P, which cited Zeta's strong enrollment growth as part of the school's strong profile.*

*Ms. Baer asked Corporation staff for an update on an Article 78 proceeding related to NYCDOE's rental assistance for charter schools. Ms. Marcus provided background on the proceeding, the diligence that Corporation staff and counsel had conducted, and explained that there is not a concentrated effort to cease providing this revenue stream which is commonly pursued by charter schools. She explained that additional language has been added to Offering Memorandums to disclose the potential risk of any implications of future decisions related to rental assistance as a revenue stream for charter schools. She also detailed the additional diligence that Corporation staff has done on projections to evaluate how charter schools are factoring in rental assistance as a revenue stream.*

*With no additional questions, the Committee recommended the Project to seek authorization at the May 22<sup>nd</sup> Board meeting.*

#### **Hadran Academy Inc. and Lawrence Charitable Trust**

Hadran Academy, Inc. (the "School"), a New York religious corporation that is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), is an independent, private day school that provides specialized educational and therapeutic services for students aged 9 through 21 who are diagnosed with Autism Spectrum Disorder ("ASD") or other disability. Lawrence Charitable Trust (the "Trust", and together, with the School, "co-Borrowers"), is a New York not-for-profit organization exempt from federal income taxation pursuant to section 501(c)(3) of the Code. The Trust was created to support the School in the undertaking of this project and will be a co-Borrower, under common control. As part of a plan of financing, the School and the Trust are seeking the issuance of \$55,000,000 in tax-exempt and/or taxable bonds, the proceeds of which will be used to: (i) finance or refinance the costs of acquiring an existing approximately 6,000 square foot vacant warehouse located on an approximately 10,000 square foot parcel of land located at 50 Lawrence Avenue, Brooklyn, New York (the "Property"); (ii) demolishing the existing structure on the Property; (iii) constructing, developing, and furnishing a 6-story (plus cellar) approximately 58,322 square foot educational facility on the Property (the "Facility"); (iv) funding debt service reserve funds(s), if any; (v) fund capitalized interest; and (vi) pay for certain costs relating to the issuance of the Bonds ((i-vi) collectively, the "Project"). The Trust currently owns the Property and will lease the Facility to the School. The School will operate the Facility as a private school serving approximately 222 students with ASD from ages 9 through 21.

*Ms. Baer asked why Hadran Academy will receive an approval contingent upon satisfactory demonstration of substantial equivalence. Ms. Arcasoy stated that while Hadran Academy remains in NYCDOE's review pipeline, having contingent approval from Build NYC will allow them to circumvent any future delays in moving the project forward, as the School would not be subject to waiting for the next Build NYC's Board of Directors meetings to occur.*

*Ms. Marcus added that Corporation staff has spoken to NYCDOE to obtain a clearer picture of what review of their curriculum looks like. She explained that NYCDOE has advised that it may take months to collect all of the necessary data points to review and make a recommendation. Ms. Marcus also stated that this is the first year in which NYCDOE is enforcing this new policy, and that Hadran Academy likely did not realize that Build NYC would revise its Private Schools Policy to be in alignment with new City and State requirements and the implications on the approval process.*


*Ms. Baer expressed her uncertainty for setting a precedent for contingent approvals, to which Ms. Marcus stated that Build NYC has issued contingent approvals for charter schools in the past, where a charter school's bond issuance is contingent upon successful receipt of their first charter renewal.*

*Mr. Brindisi asked under what conditions this project would need to come before the Board again. Ms. Marcus explained that the project would have to be presented before the Board if the project scope or amount were to change. She stated that in the event that Hadran Academy was unable to demonstrate substantial equivalence, Corporation staff would not bring the project before the Board with a request to waive the Private Schools Policy.*

*Mr. Brindisi noted that the historic financial information in the project's pro forma is different than what is reported in the financial statements. Ms. Arcasoy explained that Hadran Academy has an additional source of revenue related to an offsite program, which is included in the financial statements. She explained that staff decided to exclude that revenue stream in the pro forma because the offsite program is entirely outside of the scope of the project.*

*Mr. Brindisi asked if Hadran Academy would be subject to the other requirements listed in Build NYC's Private Schools Policy, which Ms. Marcus confirmed. She further stated that staff would not request a waiver from Section VII of the Private Schools Policy because most families do not receive 100% of tuition reimbursement under the IDEA Act. Mr. Brindisi asked for greater detail with respect to the tuition reimbursement process. Mr. Schumer explained that parents have to pay tuition upfront and get reimbursed for some amount of tuition, the remainder of which they are still responsible for.*

*With no additional questions, the Committee recommended the Project to seek contingent authorization at the May 22<sup>nd</sup> Board meeting.*

  
Noah Schumer (Sep 29, 2025 11:41:22 EDT)

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